

Public Disclosure

December 22, 1997

Community Reinvestment Act Performance Evaluation

**The Old Point National Bank of Phoebus
Charter Number 12267**

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Hampton, Virginia 23663**

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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.

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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 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 CRA performance of **The Old Point National Bank of Phoebus** (Old Point NB) prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **December 22, 1997**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

Institution

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

The following are the primary factors supporting Old Point NB's performance under the **Lending, Investment, and Service** tests.

Lending Test

- Old Point NB's lending activities reflect strong responsiveness to community credit needs for housing, consumer credit, small business, and community development loans. A substantial majority of the bank's loans, in both volume and dollars extended, are made within its assessment area. Old Point NB's geographic distribution of loans is good, and reflects adequate lending penetration among all census tracts. Its distribution of loans to borrowers of different income levels and businesses of different sizes is also very good given the bank's capacity and standing among its primary competitors. Old Point NB continues to originate loans using flexible underwriting criteria specifically tailored to low and moderate income individuals.

Investment Test

- Old Point NB has made an adequate level of qualified investments through in-kind donations, direct equity investments, and bond purchases for its own investment portfolio.

Service Test

- Through its network of 13 branch offices and 4 off-site automated teller machines (ATMs), Old Point NB is reasonably accessible to different income levels throughout its assessment area. The bank's recent introduction of its 24-hour telephone banking service has also expanded convenience and accessibility to deposit and loan customers alike. Old

Point NB’s strong service oriented culture has been reinforced throughout the community through the bank’s sponsorship of educational seminars and small business forums.

The following table indicates the performance level of **The Old Point National Bank of Phoebus** with respect to the lending, investment, and service tests.

Performance Levels	<u>The Old Point National Bank of Phoebus</u>		
	Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High satisfactory	X	X	X
Low satisfactory			
Needs to improve			
Substantial noncompliance			

* Note: *The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.*

Description of Institution

Old Point NB, headquartered in the Phoebus community of Hampton, is the sole subsidiary and is 100% owned by Old Point Financial Corporation. This \$342 million independent community bank¹ has been in existence since 1923 and offers a variety of financial products widely accepted throughout its assessment area. The bank currently has 13 branch offices; 12 full-service branches and one limited service branch. Old Point NB has designated most of the “Peninsula” as its

¹ *Based on 9-30-97 Report of Condition & Income.*

assessment area which includes the independent cities of *Hampton, Poquoson, Newport News, and Williamsburg; and the counties of James City and York.*² These contiguous cities and counties are considered to be one assessment area and meet the purpose of the CRA regulation as no areas have been arbitrarily excluded.

Old Point NB’s earning asset mix is primarily retail in nature with an emphasis on consumer and small business lending. The majority of the bank’s earning assets are in loans at 68%. Old Point NB’s \$219 million loan portfolio is centered primarily in residential and retail lending which represents 48% and 30% respectively broken down as follows:

Table 1 Loan Portfolio Mix³ (000's)		
1-4 Family Residential	58	26%
Multifamily Residential	5	2%
Nonfarm Residential	42	19%
Total Residential	105	48%
Commercial & Industrial	41	19%
Consumer Instalment	66	30%
Other	7	3%
Total	219	100%

A substantial majority (90%-94%) of the number and dollar volume of loans are made within the banks assessment area. See *Tables 5 and 6* for a more complete breakdown of individual loans made inside and outside the assessment area.

As only one of two locally owned banks on the Peninsula, Old Point NB has sought to capitalize on its independent community bank status during a period of rapid consolidation of the financial services industry. The banking environment is characterized by intense competition from larger credit unions, and out-of-town regional and multinational banks whose resources far exceed those of Old Point NB. As shown in *Table 2*, a significant shift in market share dynamics will likely occur as a result of recent merger and acquisition activity. Competition among banks, coupled with that of area credit unions who command a 31% market share, help to fuel a very intense banking environment. Old Point NB is solidly linked with the term, “community bank” in the market. More than 80% of the bank’s customers surveyed, along with 30% of non-customers, agree that it is a community bank. The market believes that as a community bank Old Point NB

² *Does not include Gloucester County and census tract 102 in Hampton where Langley Air Force Base is located, and census tract 323 in Newport News where Fort Eustis Military Base is located.*

³ *Based on 9-30-97 Report of Condition & Income.*

offers some definite benefits such as caring about the community, being friendly, serving the community's needs, and generally being more available to the people in the community than larger banks.⁴

Table 2 Peninsula Competitor Profile⁵				
Banks	Headquarters	Deposit Size (\$Millions)	Number of Peninsula Offices	Deposit Market* Share (%)
Crestar	Richmond, VA	702	21	27
NationsBank	Charlotte, NC	473	14	19
Central Fidelity NB ⁶	Richmond, VA	404	16	16
Old Point NB of Phoebus	Hampton, VA	264	13	10
First Union NB	Charlotte, NC	218	8	9
Signet ⁷	Richmond, VA	155	8	6
All Banks on the Peninsula				66
Credit Unions	Headquarters	Deposit Size (\$Millions)	Number of Members (000's)	Deposit Market* Share (%)
Langley Federal Credit Union	Hampton, VA	463	110	
Newport News Shipbuilding & Drydock Credit Union	Newport News, VA	421	59	
First Advantage Federal Credit Union	Newport News, VA	180	65	
All 20 Credit Unions on the Peninsula			286	31

* According to the Federal Deposit Insurance Corporation (FDIC).

In addition to the profile noted above, there are on average 80 mortgage companies competing for home mortgage products on the Peninsula.⁸

⁴ *Market Positioning Study conducted by The Wessex Group, Ltd. in September 1997; page I.*

⁵ *Internal bank analysis as of June 1996.*

⁶ *Acquired by Wachovia Corporation of Winston Salem, NC effective November 1997.*

⁷ *Acquired by First Union Corporation of Charlotte, NC effective March 1998.*

⁸ *Bank's internal 1995 Home Mortgage Disclosure Act analysis.*

Description of Assessment Area

The Peninsula⁹ is located in the Norfolk-Virginia Beach-Newport News Metropolitan Statistical Area (MSA) which is the second largest MSA in the Commonwealth of Virginia. Heavy military and shipbuilding emphasis have been the mainstays to the economy for many years. These two components alone provide jobs for nearly 30% of the region's work force, down from 45% in previous years. The area is adjacent to the world's largest natural sea port (Norfolk, VA 10 miles to the east) and is headquarters to several of the United States strategic military command centers and training facilities. The area has embarked on a successful industry diversification effort that has sparked demilitarization and attraction of other corporate customers. Industries unrelated to defense and shipbuilding have increased considerably. The Peninsula enjoys a lower than average unemployment rate at 4.50% because of steady growth in services (29% of civilian jobs), trade (24%), government (21%), manufacturing (10.4%) and construction (6.2%)¹⁰.

Of the 89 census tracts in the assessment area, 26% or 23 tracts are low to moderate income. All five low income tracts are concentrated within the city of Newport News which also has 56% of the area's moderate income tracts. The remaining moderate income tracts are located in the city of Hampton (7 or 39%) with only one moderate tract located in York County.

Table 3 Assessment Area Tract Characteristics*						
	Low	Moderate	Middle	Upper	NA ¹¹	Total
% of Tracts by Income Level	6	20	38	23	13	100
Total # of Assessment Area Tracts	5	18	34	20	12	89

* Based on 1990 Census Data.

As indicated in **Table 4** on the next page, low and moderate income families represent 37% of all families in the assessment area. A closer analysis of this percentage shows that low income and moderate income families are nearly equally dispersed within the assessment area at 19% and 18% respectively. The table also shows that families are not necessarily concentrated by geography designation consistent with income levels for each tract. For example, while low and moderate income families represent 37% of all families in the assessment area, only 20% of these families

⁹ *The bank has designated the independent cities of Hampton, Poquoson, Newport News, and Williamsburg; and the counties of James City and York as its assessment area.*

¹⁰ *According to August issue of 1997 Hampton Roads Statistical Digest, Vol. 21, pages 8 & 16.*

¹¹ *Represents tracts occupied by U.S. military command and training centers as well as land owned by federal and state governments.*

reside in tracts designated as low and moderate income. This means low and moderate income families are also widely distributed in middle and upper income tracts as well.

Table 4 % Distribution of Families by Income Level Throughout Assessment Area*						
	Low	Moderate	Total Low & Moderate	Middle	Upper	Median Family Income ¹² (\$)
Assessment Area	19	18	37	24	39	43,600
% Distribution of Families by Geography Designation*						
Tract/BNA Geography	3	17	20	52	28	

* Based on 1990 Census Data.

Assessment area credit needs and other services identified include the following:

- Affordable housing (i.e., single family rental, home ownership, rehabilitation of older housing stock, down payment assistance);
- More housing options for the homeless population and emergency assistance for at risk families and individuals;
- Small business loans for equipment, expansion and facade improvement;
- Education pertaining to financial services such as home buying seminars, credit counseling, and small business forums;
- More access to financial services through traditional and nontraditional means;
- Free payroll check cashing services for federal and local government personnel because of the heavy military influence in the assessment area;
- Educational and development programs for parents and children of all ages.

These community needs were determined through a variety of means including a review of prior community contacts, and U.S. Department of Housing and Urban Development (HUD) Consolidated Strategy and Plan for the cities of Hampton and Newport News. HUD Consolidated Strategies and Plans are comprehensive planning documents that identify community needs. During this examination, we also met with municipal government and private nonprofit individuals who could speak to a range of issues pertaining to housing, emergency assistance, and homeless needs.

¹²

The 1997 weighted average of MSA updated median family income.

We did not identify any opportunities for the bank to make qualified equity investments within its assessment area. However, Old Point NB has actively pursued such investments. See comments under the *Investment Test* for further discussion. Opportunities for in-kind donations to nonprofit organizations were identified within the assessment area. Old Point NB provides critical financial support to several nonprofit organizations and agencies whose mission covers a wide spectrum of community needs for housing, home improvement, family emergency assistance, capital improvements, and child development services.

Old Point NB received an “**outstanding**” rating at the last CRA examination, dated April 27, 1995. This examination covers Old Point NB’s performance under the Lending, Investment, and Service tests from January 1, 1995 to the present. See the Appendix of this report for a definition of terms used within this public evaluation.

Conclusions with Respect to Performance Tests

Lending Test

In assessing Old Point NB’s lending performance, we focused our review on HMDA, consumer, and small business loans. The bank elected to provide us consumer loan data for our review. The bank began its collection and reporting activities for consumer and small business loans on January 1, 1996.

Assessment Area Concentration

Tables 5 and 6 show strong penetration of loans made within Old Point NB’s assessment area. Both the number and dollar volume of HMDA loans originated in the assessment area was 89% and 92% respectively during 1995 and 1996. Likewise, consumer and small business assessment area lending reflect a very strong 93% and 92% in 1996 and year-to-date September 30, 1997.

Table 5 HMDA Lending Originations Within & Outside of Assessment Area ¹³								
	1995				1996			
	# of Loans	%	\$ of Loans (000's)	%	# of Loans	%	\$ of Loans (000's)	%
Total Mortgage Loans	228	100	15,889	100	210	100	11,621	100
Total Within Assessment Area	204	89	14,268	90	194	92	10,124	87
Total Outside Assessment Area	24	11	1,621	10	16	8	1,497	13

¹³

1995 & 1996 Home Mortgage Disclosure Act (HMDA) Loan Activity Register.

On a combined basis, total assessment area lending since January 1995 for HMDA, consumer, and small business loans was a blended 93%.

Table 6 Consumer & Small Business Lending Originations Within & Outside of Assessment Area								
	1996				Through September 1997			
	# of Loans	%	\$ of Loans (000's)	%	# of Loans	%	\$ of Loans (000's)	%
Consumer ¹⁴	2,609	84	30,333	43	2,380	87	33,148	50
Small Business	479	16	40,398	57	344	13	32,763	50
Total Within Assessment Area	2,878	93	66,536	94	2,507	92	61,950	94
Total Outside Assessment Area	214	7	4,555	6	217	8	3,961	6
Total Loans	3,092	100	71,091	100	2,724	100	65,911	100

Lending Activity

Old Point NB's overall lending activity is considered very good and is responsive to identified community credit needs. Since the last CRA examination in April 1995, the bank's loan to deposit ratio has increased from 70% to 77% as of September 1997. Over the past ten calendar quarters, Old Point NB's loan to deposit ratio has averaged 73%. This is slightly higher than the 70% average of other similar size community banks doing business in Virginia MSAs.¹⁵

Although mortgage lending dollar volume declined 29% between 1995 and 1996, this was largely due to the competitive mortgage environment which contributed to a decrease in the level of conventional home purchase loans over the last several years. This decline was partially offset, however, by increases in mortgage refinancings and home improvement loans which grew 12% during the period. While mortgage volume was down, Old Point NB's strong retail emphasis, particularly in the consumer lending area contributed to the bank's overall loan growth. As stated earlier, mortgage competitive pressures are very acute for Old Point NB who must compete with an average of 80 mortgage companies doing business on the Peninsula. *Table 7* reflects the bank's volume of HMDA lending during 1995 and 1996.

¹⁴ *Includes Home Equity, Other Secured/Unsecured Consumer, & Motor Vehicle Loans.*

¹⁵ *Comparison based on banks with assets between \$200-\$500 million with five or more branch offices located in the Commonwealth of Virginia.*

Table 7 Types of HMDA Loan Originations Within Assessment Area								
	1995				1996			
	# of Loans	%	\$ of Loans (000's)	%	# of Loans	%	\$ of Loans (000's)	%
Home Purchase	84	41	9,178	65	47	25	5,618	55
Refinance	46	23	3,186	22	59	30	3,746	37
Home Improvement	73	36	841	6	88	45	760	8
Multifamily	1	0	1,063	7	0	0	0	0
Total	204	100	14,268	100	194	100	10,124	100

The bank's predominate retail line of business generated slightly over \$30 million in loans in 1996. Through September 1997, consumer lending volume is up 9% to \$33 million and has already exceeded year-end 1996 levels. Much of the strong growth in retail consumer credit is centered in instalment loans and indirect financing of cars and trucks.

Since January 1996 and through September 1997, Old Point NB generated 823 small business loans within its assessment area totaling nearly \$73 million. See pages 13 and 14 for more discussion on small business lending.

Geographic Distribution

Old Point NB's geographic distribution of HMDA, consumer, and small business loans reflect very good penetration throughout its assessment area, as there were no conspicuous gaps in the penetration of geographies.

HMDA Lending

In 1995, the percentage of HMDA loans made in low income geographies was negligible. However, the bank did make 12% of HMDA loans in moderate income tracts during 1995. On a relative basis, very little changed in 1996 even though Old Point NB made loans totaling 1% and 10% respectively in low and moderate income geographies. These percentages are lower than the percentage distribution of families in low and moderate income tracts in the assessment area at 3% and 17% respectively. As stated earlier, all five of the areas low income tracts are located in the city of Newport News. A closer analysis of the demographics of these specific tracts show that opportunities for home ownership may be limited for the following reasons:

- On average, 48% of families living in these tracts are below the poverty level. This percentage ranges from a low of 37% to a high of 80% and makes it difficult for individuals to qualify for a home loan.

- Newport News has a substantial amount of public housing units which are predominately located in low income tracts.
- The percentage of owner occupied housing units in these tracts is very low, averaging around 2%.

Table 8 reflects the distribution of HMDA lending based on geography income designation, percentage of families, and owner occupied housing units.

Table 8											
Distribution of HMDA Lending by Geography Income Designation¹⁶											
			1995				1996				
Geography Designation	% Distribution of Families by Geography	% of Tracts by Income	Distribution of HMDA Lending by				Distribution of HMDA Lending by				% Owner Occupied Housing Units
			#	%	\$	%	#	%	\$	%	
Low	3	6	1	0	37	0	1	1	4	0	2
Moderate	17	20	25	12	984	7	20	10	578	6	13
Middle	52	38	95	47	5,666	40	117	59	4,962	49	51
Upper	28	23	83	41	7,581	53	58	30	4,580	45	34
NA	0	13	0	0	0	0	0	0	0	0	0
Total	100	100	204	100	14,268	100	194	100	10,124	100	100

Old Point NB's HMDA lending performance in moderate income tracts, which are located in both Hampton and Newport News is reasonable given its position in these markets and the intense competition. During 1995, Old Point NB's ranking among competing financial institutions in low and moderate income tracts is noteworthy as indicated in **Table 9**. Rankings for 1996 are not yet available.

¹⁶

Old Point NB's internal HMDA analysis.

Table 9 - Ranking of HMDA Lending in Low and Moderate Income Geographies ¹⁷							
	# of HMDA Originations	\$ of HMDA Originations (000's)	# of Institutions	Old Point NB Ranking		Old Point NB Ranking in L-T-M Geographies	
				#	\$	#	\$
Hampton	2,584	171	107	10	19	8	27
Newport News	2,982	201	117	23	20	11	4

Consumer Lending

As indicated in *Table 10*, Old Point NB has generated strong consumer loan penetration in low and moderate income tracts. Since 1996 and through September 1997, the bank has made 537 consumer loans totaling nearly \$4 million in low income census tracts. Both the number and volume of loans in low income tracts exceed the percentage distribution of families in these tracts. During the same period, Old Point NB made 916 loans totaling \$8 million in moderate income tracts. Again, the number of loans made within these tracts exceed the percentage distribution of families. The dollar volume of loans made, however, is slightly below the percentage distribution of families but is still good.

Table 10 Distribution of Consumer Lending by Geography Income Designation ¹⁸										
			1996				Through September 1997			
Geography Designation	% Distribution of Families by Geography	% of Tracts by Income	Distribution of Consumer Loans by				Distribution of Consumer Loans by			
			#	%	\$	%	#	%	\$	%
Low	3	6	300	12	2,037	7	237	11	1,671	6
Moderate	17	20	486	20	4,066	15	430	20	4,123	14
Middle	52	38	576	24	6,095	22	506	23	5,880	20
Upper	28	23	871	36	13,605	50	961	44	17,509	59
NA	0	13	182	8	1,577	6	41	2	391	1
Total	100	100	2,415	100	27,380	100	2,175	100	29,574	100

Small Business Lending

In 1996, 3% and 16% of Old Point NB's small business loans were made in low and moderate income geographies, respectively. This penetration is reasonable given the percentage distribution

¹⁷ *Old Point NB's 1995 HMDA analysis.*

¹⁸ *Old Point NB's internal consumer loan analysis.*

of low and moderate income tracts in the assessment area. Through September 1997, small business loans made in low income tracts was negligible, however, 20% of small business loans were made in moderate income tracts. This percentage matches the distribution of moderate income tracts in the assessment area. Refer to *Table 11* for details on small business distribution in other income geographies.

Table 11 Distribution of Small Business Lending by Geography Income Designation ¹⁹									
		1996				Through September 1997			
Geography Designation	Distribution of Businesses by Geography Designation	Distribution of Small Business Loans by				Distribution of Small Business Loans by			
		#	%	\$	%	#	%	\$	%
Low	3	12	3	644	2	1	0	50	0
Moderate	18	77	16	5,417	14	63	20	5,090	16
Middle	56	253	55	23,430	59	167	50	15,944	49
Upper	23	123	26	9,427	24	101	30	11,292	35
NA	0	2	0	598	1	0	0	0	0
Total	100	467	100	39,516	100	332	100	32,376	100

Distribution by Borrower Characteristics

As reflected in *Table 12*, loan penetration based on borrower income characteristics for families in particular, is reasonable. In 1995 and 1996, the percentage of HMDA loans made to low income families was 15% and 11% respectively. Of the 19% of all families considered to be low income, 9% live below the poverty level. However, the bank's HMDA lending to moderate income families during the same period slightly exceeded the percentage of all moderate income families at 19% and 21% respectively. Old Point NB's efforts to reach low and moderate income families through home ownership programs is noteworthy. For example, the bank underwrote 50 affordable mortgages totaling \$3.4 million from January 1995 through November 1997. These loans were made under the bank's Affordable Home Ownership Program (AHOP) which specifically targets low and moderate income families and individuals.

¹⁹

Old Point NB's internal small business loan analysis.

Table 12 Distribution of HMDA & Consumer Lending by Geography Income Designation									
		1995	1996		1996	9/30/97			
Geography Designation	% Distribution of Families by Income ²⁰	Distribution of HMDA Lending by				Distribution of Consumer Lending by			
		#	%	#	%	#	%	#	%
Low	19	31	15	22	11	300	12	237	11
Moderate	18	38	19	41	21	486	20	430	20
Middle	24	52	25	56	29	576	24	506	23
Upper	39	83	41	75	39	871	36	961	44
NA	0	0	0	0	0	182	8	41	2
Total	100	204	100	194	100	2,415	100	2,175	100

Old Point NB's consumer lending reflects similar results with 12% and 11% of loans to low income families in 1996 and year-to-date September 1997. Again, consumer loans to moderate income families was slightly above the percentage of all moderate income families in the bank's assessment area at 20%.

During 1996, 79% of small business loans were for amounts of \$100 thousand or less. Sixty-eight percent, or 316 small business loans, were made to businesses with annual gross revenues of less than \$1 million. Except for the moderate ten point percentage gain in loans to businesses with gross revenues less than \$1 million, similar results were evident through September 1997 as shown in *Table 13*. Through ideas gathered during focus group sessions, Old Point NB has taken a leadership role in working closely with the cities of Hampton and Newport News in developing financing programs for small business facade improvements and general expansion. The bank has also developed a similar program with the Phoebus Improvement League, a non-profit organization located adjacent to Old Point NB's headquarters in the Phoebus section of Hampton.

²⁰

Based on the 1995, 1996 & 1997 weighted average of MSA updated median family income.

Table 13				
Distribution of Small Business Loans by Loan Size - 1996 & YTD September 30, 1997				
Loan Size	1996		9/30/97	
	Number	Percentage	Number	Percentage
Less than \$100,000	367	79	254	77
Between \$100,000 and \$250,000	77	16	52	15
Greater than \$250,000	23	5	26	8
Total	467	100	332	100
Number of Loans to Businesses with Revenue less than \$1 million	316	68	258	78

Community Development Lending

In direct response to an identified community credit need for more affordable housing, Old Point NB strengthened its commitment to the Peninsula Habitat for Humanity by making application to the Federal Home Loan Bank Board (FHLBB) of Atlanta's Affordable Housing Program (AHP). This complex application, which was filed and prepared by the bank on behalf of the Habitat, requires an annual certification. Approval allows the FHLBB to make a \$45 thousand direct subsidy to finance ten housing units for the Peninsula Habitat for Humanity Project at \$4,500 per unit. Old Point NB administers the program and monitors the funds under the grant program on behalf of FHLBB of Atlanta. So far, \$9 thousand has been funded under this project with another \$13 thousand scheduled for release by year-end 1997. Old Point NB has a longstanding association with Habitat. The bank's president serves on the Peninsula Habitat's board of directors, and the bank financed the construction of several houses in the Phoebus community of Hampton which is located in a moderate income tract.

The bank made a \$1.2 million loan for multifamily housing in a middle income census tract in Hampton. Low and moderate income households in this tract represent 38%. A \$165 thousand loan to Newport News Link, Inc. was made to finance a new office building to house the organization. This service organization was formed by several Newport News churches for the purpose of providing aid and relief to needy people.

Other community development lending activities underwritten by Old Point NB are included in the totals under small business lending.

Flexible or Innovative Lending Practices

The bank's own Affordable Housing Ownership Program (AHOP) has received positive market acceptance among low to moderate income individuals as 50 loans have been advanced with current outstandings of \$3.4 million. Under the AHOP, first-time home buyers may qualify for up to 90% financing of the home's value, and the 10% down payment may come from a variety of nontraditional sources, such as loans, grants, seller financing and other sources approved by the

bank. In addition, debt ratios are expanded. Old Point NB also implemented a ***Police-in-Residence*** Program (COP-HOP) for the city of Hampton. This program, which is similar to AHOP, was intended to finance homes for Hampton police officers in specific crime impacted areas of the city. While the program has not met expectations (2 loans for \$217 thousand), it does show the bank's willingness to implement innovative programs based on outreach efforts made in good faith.

Investment Test

Old Point NB has engaged in affirmative efforts to seek out qualified investments within its assessment area with limited success. Opportunities to invest in municipal obligations that meet the purpose of CRA were not available. Despite this, Old Point NB has made qualified investments outside of its immediate assessment area, that have an indirect benefit to its assessment area. Even though these investments are outside of the bank's immediate assessment area, they are located within the same MSA. None of the investments summarized below was considered to be innovative or complex.

- **Eastern Virginia Small Business Investment Corporation (EVSBC) - \$50,000**
EVSBC is a venture capital corporation created to make direct equity investments to finance the development, growth, and modernization of start-up, mezzanine, and mature business concerns in Eastern Virginia. So far, business projects have centered in Virginia Beach and South Hampton Roads. Peninsula communities and organizations who have made provisions in their budgets and have committed to EVSBIC include Hampton, the Hampton Roads Chamber of Commerce, Newport News, and York County.
- **Norfolk State University - \$180,000**
Norfolk State University is a state supported university located in an inner city moderate income tract in Norfolk, Virginia. The University has a student population of over 8 thousand, many of whom live in Old Point NB's assessment area. Funds for this offering were used to construct a 29 thousand seat sports stadium including certain support space. This project significantly enhanced the University's bid to upgrade its overall sports program to Division I status. Sports activities were previously played off campus. Of the 8 thousand students enrolled at Norfolk State, 6,500 or 81% received need-based financial aid during fiscal year 1995.²¹

Community contacts conducted during this examination did identify opportunities for in-kind donations. Such donations by Old Point NB total \$21 thousand and meet criteria for qualified bank investments for CRA purposes.

- \$5,500 donated to two non-profit housing organizations that serve very low income families by providing vital housing services. These services include funds for home repairs, rehabilitation, and construction.

²¹ *NationsBanc \$9.3 million Norfolk State University General Revenue Pledge Bond prospectus, page 9.*

- \$8,000 was donated to several nonprofit agencies serving the Peninsula that provides a variety of community services primarily benefiting low and moderate income individuals. These services include disaster relief aid, emergency financial assistance, free lodging and meals for the homeless, shelter for abused women and children, and medical care.
- \$5,250 contributed to various nonprofit organizations that provide community services to low and moderate income households relating to abused and neglected children, and individuals involved with a family crisis.
- \$2,500 donated to two nonprofit organizations that provide youth programs for low and moderate income individuals.

Service Test

Accessibility of Delivery Systems

Through its network of 13 branch offices and sixteen ATMs, Old Point NB is reasonably assessable to different income levels throughout its assessment area. Included among the thirteen branches is one limited service branch. Office hours are reasonable and do not vary significantly among the different branches, except for five offices with Lobby & Drive-In hours on Saturdays from 9:00 a.m. - 12:00 p.m. With the exception of one limited service office, all offices have ATMs. The bank's recent introduction of its 24-hour telephone banking service has also expanded convenience and assessability to deposit and loan customers alike. Through this service, customers can obtain account and rate information, branch and ATM locations, and instructions for reporting lost or stolen ATM cards.

Table 14 Distribution of Branches & Automated Teller Machines (ATMs)								
Geography Designation	% Distribution of Families by Income	% of Tracts by Income	Branch Offices		Branches with Saturday Hours		Off-Site Automated Teller Machines	
			#	%	#	%	#	%
Low	19	6	0	0	0	0	0	0
Moderate	18	20	4	31	1	20	1	25
Middle	24	38	4	31	1	20	2	50
Upper	39	23	5	38	3	60	1	25
NA	0	13	0	0	0	0	0	0
Total	100	100	13	100	5	100	4	100

Except for low income geographies where there are no branches, Old Point NB has a reasonable

distribution of offices in moderate, middle, and upper income census tracts. Thirty-one percent of Old Point NB's branches are located in moderate income tracts. This distribution is very good given that 18% of all families are designated as moderate income. Even though the bank has no offices in the five low income census tracts, all of which are located in Newport News, the area is reasonably assessable to the Warwick Road Office which is adjacent to Jefferson Avenue; one of the city's main thoroughfares. Loan data contained in *Tables 11 and 12* indicate the bank is doing a reasonable job of serving the credit needs of low and moderate income families and business owners throughout its assessment area.

Changes in Branch Locations

Old Point NB's record of closing branch offices has not affected the assessability of its services to low or moderate income individuals or geographies. Since January 1995, the bank has only closed one office in Hampton, which was located in a middle income census tract. While the branch was closed, the bank elected to keep the onsite ATM open. Among other changes to the bank's branch configuration include the following.

- A new branch office was opened in an upper income census tract in York County;
- One onsite ATM (middle income tract) and four offsite ATMs were opened in Zoom convenience stores (1 in a moderate tract, 2 in middle income tracts, and 1 in an upper income tract);
- One ATM in a middle income tract was closed.

On December 1, 1997, the bank filed an application to open a branch in a middle income census tract in Hampton that was previously closed.

Community Development Services

Old Point NB has taken a leadership role in providing high quality customer and community development services within its assessment area. Such activities cover a variety of services considered crucial to the communities educational, housing, and public service needs.

- **Small Business Educational Forums** - Old Point NB was either the primary sponsor or co-sponsor of several well received business and financial seminars.
 - Peninsula Entrepreneurial Round table - fourteen sessions were held since January 1995 with 12-20 people attending per session.
 - The Ten Steps to Improving Your Firm's Profitability - a nationally syndicated small business forum held in Newport News and attended by 100-120 people.
- **Home Buyer Programs** - bank sponsored and co-sponsored first time home buyer seminars. Old Point NB has participated in 12 seminars with area real estate agents and the cities of Hampton and Newport News. The bank also participated in two fair housing seminars sponsored by the Virginia Peninsula Association of Realtors Equal Opportunity Committee. These seminars were attended by over 120 area realtors.

- **Hampton Family Resource Project (HFRP)** - provides services to families through three programs: *Healthy Start*, a home-based early intervention program for at risk families; *Healthy Family*, individualized prevention education programs for all families with young children; and *Healthy Community*, programs which promote values and attitudes in the community that support positive child development. Old Point NB was a major sponsor of free parenting classes, some of which were held on the bank's premises. HFRP was recognized nationally in a prime-time television broadcast as a best practice focusing on family issues.
- **Adopt-A-School Program** - sponsored by Old Point NB, this program is designed to help students use their learned math skills. The bank makes presentations throughout the school year on savings, checking, budgeting, and general banking information. Old Point NB has developed these educational partnerships with ten elementary schools in its assessment area. One such school is located in a moderate income community (41% of families designated as low and moderate), and the remaining nine serve a sizeable percentage (30%) of low and moderate income families.
- **Free Payroll Check Cashing Services** - Old Point NB provides free check cashing services for government and local municipal personnel. This service is offered as a convenience for the heavy military and civilian support units based on the Peninsula, and represents a major sacrifice of potential fee income for the bank in service to the community.

In addition to the services provided above, many of the employees and officers at Old Point NB lend their service and skills in numerous ways that contribute to the well being of the community. Listed below are but a few such examples:

Organization	Description	Capacity
Hampton Apple Tree Club	Program for underprivileged children.	Advisor
Avalon	A shelter for battered women.	Advisory Board Member
Hampton Community Development Corporation	A CDC established by Hampton University for small business development and residential rehabilitation in Phoebus and the city of Hampton.	Board Member
Housing Partnerships, Inc.	Nonprofit organization providing funds for home repairs and emergency assistance.	Director, Treasurer, Secretary of Board
Peninsula Habitat for Humanity	Construction of homes for low & moderate families.	Workers, Director, Funding Program
Peninsula Industrial Finance Committee	Industrial development and business generation.	Director
Phoebus Improvement League	Nonprofit organization devoted to small business enhancements in the Phoebus community.	Member, Program Coordinator, Treasurer

Fair Lending Review

No violations of the substantive provisions of the anti-discrimination laws or regulations were identified. Old Point NB’s fair lending policies, procedures, training programs, and internal self-assessments are adequate.

Appendix A: Scope of Examination

Time Period Reviewed	January 1, 1995 to November 30 1997		
Financial institution The Old Point National Bank of Phoebus - Hampton, Virginia			Products reviewed Home Mortgage, Small Business, Consumer - Secured/Unsecured
Affiliate(s)	Affiliate relationship		Products reviewed
Not Applicable			
List of Assessment Areas and Type of Examination			
Assessment Area	Type of Exam	Branches Visited	Other Information
<u>Virginia</u> MSA - 570 Norfolk and Virginia Beach	on-site	Phoebus ExecutiveTowers	None

Appendix B: Definition of Terms

The following are definitions of terms used throughout this public evaluation. The definitions are not the strict legal definitions contained in 12 C.F.R. 25.12, but rather a more concise synopsis of their meaning.

Community Development - The primary purpose of the loan, investment, or service is for (1) affordable housing for low and moderate income individuals; (2) community services targeted to low or moderate income individuals; (3) activities that revitalize or stabilize low or moderate income areas.

Consumer Loan - A loan to one or more individuals for household, family, or other personal expenditures.

Geography - A census tract or block numbering area.

Low, Moderate, Middle, and Upper Income Area - A low income area is one in which the median family income is less than 50% of the area median income; moderate income is 50% to 79% of the area median family income; middle income is 80% to 119% of the area median family income; and upper income is 120% or more of the area median family income.

Qualified Investment - A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Small Business Loan - A commercial loan with an original loan amount of \$1 million or less.