



Comptroller of the Currency
Administrator of National Banks

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Community Reinvestment Act Performance Evaluation

**Peoples National Bank
Charter Number 22983**

**P.O. Box 1658
Danville, Virginia 24543-1658**

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

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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Glossary of Terms and Common Abbreviations

The following terms and abbreviations are used throughout this Performance Evaluation.

Assessment Area (AA) - The geographic area which an institution selects as the community within which it regulator will assess the institution's record of CRA performance. Generally, an urban assessment area will not extend beyond of a MSA. A rural assessment area may contain one or more neighboring counties.

Block Numbering Area (BNA) or Census Tract (CT) - Small, locally defined statistical areas within a MSA. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten-year census and average population of 4,000.

Community Development Purpose - A community development purpose is defined per 12 C.F.R. 25.12(h) as affordable housing (including multi-family rental housing) for low- and moderate-income (LMI) individuals; community services targeted to LMI individuals; activities that promote economic development by financing businesses or farms that meet size eligibility standards of 13 C.F.R. 121.802(a)(2) or has gross annual revenues of \$1 million or less; or activities that revitalize or stabilize LMI geographies.

Community Reinvestment Act (CRA) - A statute that requires federal regulators to evaluate a financial institution's lending performance in light of the credit needs in the institution's local community. (This is a generic description of the bank's requirements and not a legal explanation of the requirements contained in 12 U.S.C. 2901, as amended, and 12 C.F.R. 25, as amended.)

Home Mortgage Disclosure Act (HMDA) - A statute that requires certain mortgage lenders that do business or have banking offices in MSAs to file annual summary reports of their lending activity. The report include such data as the race, gender, and the income of the applicant(s), the amount of loan requested and its disposition (e.g. made, turned down, withdrawn). The types of loan application reported include governmentally-guaranteed home purchase and home improvement loans, conventional home purchase loans, home improvement loans, refinancing of home purchase and home improvement loans and loans for the purchase of multi-family (5 or more units) dwellings. (*This is a generic description of the bank's requirements and not a legal explanation of the requirements contained in 12 U.S.C.. 2801, as amended, and 12 C.F.R. 203, as amended.*)

Income Levels - These relate to individuals, families, the CTS in MSA or BNAs in nonMSA areas.

Low = An income level that is less than 50 percent of the area median income.

Moderate = An income level that is at least 50 percent and less than 80 percent of the area median income.

LMI = An income level that is less than 80 percent of the area median income.

Middle = An income level that is at least 80 percent and less than 120 percent of the area median income.

Upper = An income level that is 120 percent or more of the area median income.

Area Median Family Income - The median family income for a the MSA or the statewide nonmetropolitan median family income. The Department of Housing and Urban Development updates this figure annually using an estimated inflation factor.

Metropolitan Statistical Area (MSA) - An area containing a city with a population of at least 50 thousand or an urbanized area with a population of at least 50 thousand and a total metropolitan population of at least 100 thousand. Generally, MSA consist of one or more whole counties that have a high degree of interaction.

Small Business or Small Farm - A business or farm that has \$1 million or less in gross annual revenues.

Small Loan to a Business or Farm - A loan of \$1 million or less to a business of any size or a loan of \$500 thousand or less to a farm of any size.

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 **Peoples National Bank, Danville, Virginia** (PNB) prepared by **Comptroller of the Currency**, the institution's supervisory agency, as of April 3, 1998. 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's CRA Rating: This institution is rated Satisfactory.

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

Performance Levels	Name of Financial Institution Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High satisfactory	X		X
Low satisfactory		X	
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 and Assessment Area

Peoples National Bank (PNB) is a \$299 million financial institution headquartered in Danville, Virginia, with five branches located throughout Pittsylvania County. The business plan of management is to penetrate rural markets and/or to provide services to those areas which management considers under served by larger banks.

Peoples National Bank's assessment area includes the entire Danville, Virginia, MSA. This MSA has a total of 35 tracts of which nine tracts are unpopulated and the 1997 HUD updated Median Family Income is \$35,550. The following table details the distribution of geographies by income level and number of families within the assessment area.

Number of Families by Income Level of Tract						
Income Level	# of CTS	# Low Income Families	# Moderate Income Families	#Middle Income Families	# of Upper Income Families	Total Families
Low	2	131	14	14	53	212
Moderate	7	2,551	1,555	1,329	1,987	7,422
Middle	14	2,667	2,371	3,261	6,111	14,410
Upper	3	503	537	826	2,352	4,218
Total	26*	5,852	4,477	5,430	10,503	26,262

*This is the total number of the populated tracts

As of 1990, approximately 26,262 families lived within the bank's AA. Thirteen percent of the all families lived below the poverty level. Manufacturing (38%), services (20%), retail trade (19%), and government (14%) represent 91% of the workforce. As of 1990, there were approximately 308 non-farm businesses and two farm businesses located in PNB's AA. The number of non-farm and farm businesses with gross revenues of less than \$1,000,000 totaled 205.

Competition is strong for all types of loan products. The bank faces significant competition from the local independent commercial banks, as well as branches of larger, regional banks. The local market has become especially competitive in the last several years, as mortgage companies have proliferated the area, increasing the competition for residential mortgages. There are approximately 115 lending institutions which are actively lending within the AA. PNB has three percent of the market share of HMDA reportable loans.

Local officials from the Habitat for Humanity and Danville Department of Community Development indicate that area credit needs are for home improvement financing and low interest, long-term mortgage real estate financing for low to moderate income borrowers. In addition, the

“Consolidated Plan for 1995 Executive Summary” indicated the need for rental subsidies, rehabilitation and repair grants and loans, and first-time home buyer financial and technical assistance, as well as infrastructure improvements and commercial development.

Peoples National Bank has the financial capacity to assist its communities’ credit needs. There are no known legal or financial constraints which could impede its efforts. As of September 30, 1997, PNB has a return on average assets of 1.40 percent. The bank’s average net loan to deposit ratio for the last eight quarters was 65 percent. The loan portfolio consisted of the following types of credit: 2.40% construction & development; 1-4 family residential 17.65%; farmland 1.19%; multifamily 7.99%; non-farm non-residential 52.38%; agricultural loans 1.07%; commercial & industrial loans 6.46%; loans to individuals 9.33%; and municipal loans 1.54%.

PNB also facilitates credit in its assessment area that is not reflected on its balance sheet through an associated company, the Mortgage Company of Virginia. The Mortgage Company of Virginia offers primarily fixed rate conventional mortgages and participates in programs offered by the Virginia Housing Development Authority which benefit borrowers with low and moderate income needs. The loans originated for PNB were included in our review and are also included in the tables located throughout this public evaluation.

We evaluated People National Bank’s CRA performance using the FFIEC Interagency Large Bank CRA Examination Procedures. This evaluation covers the period of 1996 and 1997. We reviewed HMDA reportable loans, as well as small business and small farm loan products for calendar year 1996 and for 1997, through December 12.

The lending test included an analysis of the bank’s record of lending to individuals, small businesses and small farms. Specifically, the review assessed the level and distribution of the bank’s home mortgage, small businesses and small farm loans for 1996 and 1997.

The investment and service test included an analysis of the bank’s record of providing qualifying investment and services within its assessment area. Qualifying activities undertaken during 1996 and 1997 were taken into consideration.

Conclusions with Respect to Performance Tests

Lending Test: People National Bank’s performance under the lending test is rated “**High Satisfactory**”. Lending levels reflect a good responsiveness to credit needs within the assessment area, particular those of low- and moderate-income individuals. Overall lending levels are good and the bank has addressed the community’s identified credit needs through traditional mortgages as well as flexible mortgage programs offered through Mortgage Company of Virginia.

A substantial majority of the bank’s loans are within its assessment area. The distribution of these loans also reflects a very good penetration of lending to borrowers of different income levels and to commercial businesses of different sizes.

Investment Test: Performance under the investment test is rated “**Low Satisfactory**”. During

this review period there have been limited opportunities for Peoples National Bank to participate in any qualified investments. This is based on information received from various community contacts and the “Consolidated Plan.

Service Test: Performance under the service test is rated “**High Satisfactory**”. The bank’s target market is working class individuals and makes its products and services available to all segments of the community, including low-and moderate-income individuals. PNB’s network of branches and other delivery systems makes its products and services available to all segments of the community. The bank has not closed any offices since the previous review and has been approved for a new branch in a moderate-income census area. The bank also supports local community development services by offering special deposit related products.

LENDING TEST

Peoples National Bank’s lending levels reflect good responsiveness to the identified credit needs. The following discussion provides conclusions regarding the bank’s lending performance for HMDA, small business and farm loans.

Geographic Distribution and HMDA Activity:

Peoples National Bank originates a substantial portion of its HMDA loans within its defined assessment area. For 1996, the bank originated 96% by number and 94% by dollar volume within the bank’s assessment area. For 1997, the bank originated 91% by number and 85% by dollar volume. The following table details the number and dollar of PNB’s loans for the Danville MSA.

Loan Type	1996		1997	
	#	\$(000's)	#	\$(000's)
Home Purchase	33	\$ 1,565	75	5,020
Refinance	28	1,067	41	2,237
Home Improvement	15	74	33	900
Multi Family	8	260	0	0
Small Business Loans	191	4,144	142	1,981
Totals	275	7,110	291	10,138

Geographic Distribution (HMDA):

The penetration of loans among different geographies within the assessment area is good. The only area of low penetration is the two low-income tracts where the population is sparse.

The following table shows the distribution of the bank's HMDA lending to borrowers of different income levels within PNB's assessment area. As a comparison, the table shows the percentage of families at each income tract within the MSA based on 1990 Census Data. The distribution of HMDA loans to low- and moderate-income tracts is consistent with the percentage of families, households and owner occupied units in the each income tract.

Income Level of Tract	% of Families in each tract	1996		1997	
		# of Loans	% of Loans	# of Loans	% of Loans
Low	.81%	7	9.6%	12	17.14%
Moderate	28.27%	18	24.7%	12	17.14%
Middle	54.87%	23	31.5%	18	25.72%
Upper	16.06%	25	34.2%	28	40.00%
Total	100.00%	73	100.00%	70	100.00%

The following table reflects the level of households and owner occupied units in each income tract.

Income	% of Households	# Housing Units	% of Owner Occupied
Low Income Tracts	2%	618	.27%
Moderate Income Tracts	30%	11,965	24.45%
Middle Income Tracts	52%	20,370	57.81%
Upper Income Tracts	16%	6,238	17.47%
Total	100%	39,191	100.00%

Small Business Loans:

PNB's lending to small businesses in different income levels showed reasonable penetration. Based on the total number of all loans originated in the assessment area, the bank had 17% of the market share of all small business loans and 13% of all small farm loans in the assessment area.

The following table reflects the level of penetration in each of the income categories.

Income Level	1996 Small Business					1997 Small Business			
	% of Small Business In Tract	#	%	\$(000's)	%	#	%	\$(000's)	%
Low	9.87	0	0%	0	0%	3	2.1%	54	2.7%
Moderate	19.69	2	1.1%	28	1%	5	3.5%	72	3.6%
Middle	55.39	174	91.1%	3,753	91%	123	86.6%	1,677	84.7%
Upper	15.05	15	7.8%	363	8%	11	7.8%	178	9.00%
Total	100	191	100%	4,144	100%	142	100%	1,981	100%

Distribution By Borrower's Income Level (HMDA):

The following table shows the distribution of the bank's HMDA reportable lending activity to borrowers of different income levels. The bank's performance in lending to low and moderate income borrowers is excellent. The bank's percentage of loans to low and moderate income borrowers exceeds the percentage distribution of low and moderate income borrowers within the population.

Borrower Income	% of Population	1996		1997	
		# of Loans	% of Loans	# of Loans	% of Loans
Low Income	22.28%	26	34.21%	48	32.22%
Moderate Income	17.05%	15	19.74%	36	24.16%
Middle Income	20.68%	9	11.84%	26	17.45%
Upper Income	39.99%	26	34.21%	39	26.17%
Total	100%	76	100%	149	100%

Distribution of Small Business and Farm Loans by Size - 1996 & 1997:

This table reflects the level of lending to both small business and small farm loans made to businesses of different revenue size for the years 1996 and 1997. The loans originated were 100 percent to businesses with gross revenues of less than \$1,000,000 and were all within PNB's

assessment area.

Loan Size (In 000's)	Small Business Loans		Small Farm Loans	
	1996	1997	1996	1997
<=\$100	96.86%	99%	97.23%	97%
>\$100 and <=\$250	2.6%	1%	2.77%	3%
>\$250 and <\$1,000	.54%	0	0	0
Total	100%	100%	100%	100%

Community Development Lending:

In addition, to traditional lending efforts, PNB has helped fund community development loans within the bank's assessment area.

- ▶ \$217M of a \$1,574M cooperative effort among all local financial institutions in the assessment area to construct a "shell building" in Airside Industrial Park. The industrial park is located in a moderate income tract within the assessment area. the project will revitalize a moderate income area and will provide additional jobs for moderate-income individuals.
- ▶ \$100M loan to assist in the financing of Sandy River Medical Center, which has been registered as a charitable organization by the Department of Consumer Affairs of the State of Virginia. The services of the clinic primarily target low to moderate income families, who pay according to ability.

Flexible Programs:

PNB's uses flexible terms to specifically serve the credit needs of their AA. The bank uses in-house evaluations to reduce the costs of the appraisals, offers a 30 year fixed rate loan and has no minimum loan amount requirement.

INVESTMENT TEST

The bank has made a \$16M investment in the Danville Community Development Corporation. The purpose of this organization is to purchase and rehabilitate housing and resell to low-to-moderate income individuals at an attractive price. The CDC also provides financing for these individuals. There have been no other opportunities for Peoples National Bank to participate in any qualified investments during this review period. This is based on information received from the community contacts and the "Consolidated Plan".

SERVICE TEST

Peoples National Bank's delivery system is accessible to the geographies and to individuals of different income levels. The bank currently operates a total of six full service offices located in various sections of the assessment area. New branches are generally opened in areas where larger banks have closed offices. The bank has recently received approval to open an additional branch which will be located in a moderate income tract; this branch is scheduled to open during the second quarter of 1998.

Office hours of operation are reasonable and have a positive impact on individuals in low- and moderate-income areas. Drive-in hours for Monday through Saturday are from 7:00 A.M. to 7:00 P.M. These extended banking hours are longer than those offered by competitors, and are specifically targeted to moderate and middle income individuals who work at local factories.

Since the previous CRA examination there have been no branch closings. The bank has never closed a banking office.

The following table reflects the distribution of branch offices:

Geography Characteristics	# of Tracts	# of Offices	% of Offices
Low Income	2	0	0
Moderate Income	7	2	33%
Middle Income	14	3	50%
Upper Income	3	1	17%
Total	26	6	100%

Community Development Services:

Peoples National Bank offers deposit products geared toward individuals with low- and moderate-incomes. The bank offers checking accounts with no minimum balance requirements and no service charges with unlimited check writing. PNB also offers government check cashing at no charge. Various interest bearing accounts are offered which require minimal account balances, including interest checking (\$500 minimum balance to open), and passbook savings (\$50 minimum balance to open but no minimum maintenance balance, no maintenance fee, and no per item charge). The bank offers certificates of deposit of one year maturity with only \$100 minimum balance. The bank also offers a no penalty certificate of deposit with a minimum \$100 balance. No other financial institution in the local area provides these low balance deposit requirements.

FAIR LENDING REVIEW

We found no violations of the substantive provision of the anti-discrimination laws and regulations.