



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**July 23, 2009**

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

Old Dominion National Bank  
Charter Number 24730

4916 Plank Road, Suite 216  
North Garden, VA 22959

Office of the Comptroller of the Currency

VIRGINIA (ROANOKE) Field Office  
4419 Pheasant Ridge Road Suite 300  
Roanoke, VA. 24014

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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

The major factors supporting the institution's rating include:

- The bank's loan-to-deposit ratio is reasonable given the bank's size, lending opportunities, and competitive market;
- A majority of the bank's loans were originated within the bank's assessment area;
- The bank's record of lending to borrowers of different income levels reflects excellent penetration and exceeds standards for satisfactory performance;
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

**SCOPE OF EXAMINATION**

This Small Bank Community Reinvestment Act (CRA) Examination assesses the bank's performance under the lending test. As Old Dominion National Bank is a de novo bank, this is the institution's first evaluation under the Community Reinvestment Act. The evaluation period for the lending test is July 23, 2007 through March 31, 2009. Based on a bank prepared loan report and discussions with bank management, consumer installment loans were determined to be the bank's primary loan product and were reviewed as part of this examination. In order to assess the bank's lending test activity, we selected a random sample of 35 consumer installment loans originated between July 23, 2007 and March 31, 2009 for our review.

**DESCRIPTION OF INSTITUTION**

Old Dominion National Bank (ODNB) is a \$50.7 million intrastate community bank headquartered in North Garden, Albemarle County, Virginia. ODNB is a de novo bank that began operations on July 23, 2007. It is an independently owned bank with no holding company structure, and ODNB does not have any operating subsidiaries. The bank has not been previously evaluated under the Community Reinvestment Act.

The bank is a full service community bank offering traditional loan and deposit services, with a focus on small business and consumer lending. Some of its retail services include checking and savings accounts and health savings accounts. Its commercial services include business checking and savings, remote deposit capture, and commercial mortgages. In addition to 24 hour telephone banking service, the bank also offers internet banking. Internet services are limited to standard options such as account transfers and bill pay. Additional information could be found at the bank's website at [www.odnbonline.com](http://www.odnbonline.com).

On January 20, 2009 management opened a new branch in Scottsville, Virginia to generate loan and deposit growth. ODNB now operates two full-service branch offices, both located in Albemarle County. These two offices operate during regular business hours and each office has an automated teller machine (ATM) that is available after regular business hours and a drive up facility.

As of March 31, 2009, ODNB had net loans of \$30 million, total deposits of \$45 million, and Tier One Capital of \$5 million. Net loans represent 59% of total assets. The bank’s loan portfolio consists of: commercial real estate loans (33%), one to four family residential real estate loans (32%), commercial loans (18%), construction loans (10%), and consumer loans (7%).

ODNB faces strong competition from local community banks and branches of larger regional and national banks in its assessment area. Top competitors in Albemarle County include Branch Banking & Trust Company with 31.36% market share and six branches, Sonabank with 19.19% market share and one branch, SunTrust Bank with 9.89% and two branches, and Bank of America with 9.65% and three branches. According to the June 30, 2009 FDIC Summary of Deposit Market Share Report, ODNB has a 2.16% deposit market share in Albemarle County and a 0.56% deposit market share in the Charlottesville MSA, ranking the bank 10<sup>th</sup> out of 17 institutions in the Charlottesville MSA.

There are no legal or financial impediments to ODNB’s ability to meet the credit needs of its assessment areas.

## DESCRIPTION OF ASSESSMENT AREA

ODNB has identified one assessment area (AA), which is comprised entirely of the Charlottesville MSA # 16820. The information in Table 1 provides the demographic data of the AA:

<b>Table 1 –Demographic Data for Full Scope Area: Charlottesville MSA</b>						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	37	2.70	24.32	51.35	21.62	0.00
Population by Geography	174,021	1.78	17.53	57.63	23.06	0.00
Owner-Occupied Housing by Geography	43,471	1.07	11.96	63.77	23.21	0.00
Business by Geography	15,704	0.83	13.58	59.62	25.97	0.00
Farms by Geography	553	0.54	11.57	62.39	25.50	0.00
Family Distribution by Income Level	43,119	19.18	18.43	23.26	39.21	0.00
Household Distribution by Income Level	67,611	22.63	15.97	20.05	41.34	0.00

Median Family Income	56,222	Median Housing Value	\$138,915
HUD Adjusted Median Family Income for 2008	72,800	Unemployment Rate (2009)	6.4%
Households Below Poverty Level	11.28%		

(\*) The NA category consists of geographies that have not been assigned an income classification.  
 Source: 2000 US Census and 2008 HUD updated MFI, Unemployment Rate –June 2009 Bureau of Labor Statistics

The Charlottesville MSA consists of the city of Charlottesville, Albemarle, Greene, Fluvanna, and Nelson counties. The MSA definition was expanded in 2003 to include Nelson County.

The area is centrally located in Virginia in the eastern foothills of the Blue Ridge Mountains. The MSA is located approximately 71 miles west of Richmond; 110 miles southwest of Washington D.C.; and 162 miles northwest of Norfolk. The area consists of a combination of suburban, residential, commercial, and light industrial uses.

The AA consists of 37 census tracts. Of the 37 census tracts, one (2.70%) is a low-income geography, nine (24.32%) are moderate-income geographies, 19 (51.35%) are middle-income geographies, and eight (21.62%) are upper-income geographies. ODNB’s current AA meets the requirements of the regulation and does not arbitrarily exclude any low-or-moderate-income areas.

The 2000 U.S. Census Data reported the total population of the AA at 174,021. Within the AA, there are 67,611 households and 43,119 families. The 2000 Median Income for this AA was \$56,222 and the 2008 HUD Updated Median Family Income is \$72,800. Approximately 19% of families are low-income, 19% are moderate-income, 23% are middle-income, and 39% are upper-income. Approximately 11% of households are below the poverty level.

According to the 2000 U.S. Census Data, there are 73,869 housing units, of which, 59% are owner-occupied, 33% are rental-occupied, and 9% are vacant housing units. Approximately one percent of owner-occupied housing is located in low-income geographies, 12% in moderate-income geographies, 64% in middle-income geographies, and 23% in upper-income geographies. The median housing cost is \$138,915.

Major employers in the area include: The University of Virginia, State Farm Mutual, National Ground Intelligence Center, GE Fanuc Intelligent Platforms, and Crutchfield Corporation. The primary industries in the area include: services, government, trade, construction, and manufacturing. Due to the presence of the University of Virginia, the area offers a highly educated and highly skilled work force to complement its infrastructure.

The current local economy for the Charlottesville MSA can be described as declining as the unemployment rate has increased to 6.4% as of June 2009 versus a 2008 unemployment rate of 3.5%. However, the area is faring better than the state and the nation as the statewide unemployment rate increased to 7.3% in June 2009 from 4.2% in 2008. The current national unemployment rate is 9.4%.

Contributing to the milder recession is the fact that the Charlottesville metro area is a popular drive-to vacation spot and has not experienced the same decline as other tourist destinations relying on international or out-of-state visitors. Additionally, the metro area is an easy drive from Washington D.C., an area where the recession has not been as severe as in other mid-Atlantic regions.

It is anticipated that Charlottesville's recession will remain shallower than the national recession. Once the economy starts to recover, the Charlottesville metro area is expected to perform above-average as compared to the U.S. and the South. Long-term growth is expected to be supported by fast population growth, a growing influx of retirees, and a highly educated workforce.

The Charlottesville metro area can continue to count on the U.S. military for job and income growth. In March, 2009, Northrop Grumman, a global security company with various military contracts, opened a new research facility in the area.

## **Community Contact**

We completed one community contact as part of this Small Bank CRA Examination. We contacted a regional non-profit housing organization focused on assisting people to secure rental housing and paying rental subsidies as well as purchasing homes and becoming economically self-sufficient. The contact indicated that affordable housing remains a major need in the area. The contact indicated that the county's median housing value at this time is approximately \$300,000, and affordable housing for the area would be around \$180,000 to \$200,000. This disparity is one of the challenges facing the county. The contact stated that there is a continued need for rental housing for low- to moderate-income families in the area. The county currently has projects underway to produce affordable rental housing. Some existing projects include partnerships between non-profit and for-profit businesses to produce more affordable housing. The contact indicated that local financial institutions have been very active in construction projects. Particularly, they are active in originating and underwriting of the projects. Most of the local banks sell the mortgages on the secondary market.

We also reviewed a recent community contact with a regional non-profit organization focused on the housing and community development needs of low- and-moderate income individuals. The contact indicated that affordable housing remains a major need in the area and that, in general, local financial institutions have been supportive of these activities.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

ODNB's performance under the lending test is "Satisfactory". ODNB's loan-to-deposit ratio is reasonable. The majority of ODNB's consumer loans were originated within the AA. ODNB's record of lending to borrowers of different incomes reflects excellent penetration. Overall, the geographic distribution of loans in the AA reflects reasonable dispersion.

### Loan-to-Deposit Ratio

ODNB's loan to deposit ratio (LTD) is reasonable considering the bank's size, lending opportunities, financial condition, and competitive market and meets the standard for satisfactory performance. Over the seven quarters since bank opening, the bank's quarterly average net LTD ratio is 69.95%. The LTD has ranged between 13% and 90% and has been trending downward since June 30, 2008 as deposit growth has outpaced asset growth.

A review of bank and peer data reveals that ODNB is similarly situated to Blue Grass Valley Bank, Citizens National Bank, and First State Bank. These institutions are similar in asset size, offer similar products, and operate in similar areas. The quarterly average net LTD for these similarly sized and situated banks was 84.96% over the same seven quarters and ranged from a quarterly low of 80.08% to a quarterly high of 87.07%.

Even though ODNB'S LTD is below its peer banks, the LTD is reasonable considering the bank's de novo status and fairly low deposit market share.

### Lending in Assessment Area

A majority of consumer loans originated during the evaluation period were within the AA. ODNB meets the standards for satisfactory performance for lending in the AA. Of the initial random sample of 35 consumer loans, 66% of loans were originated within the AA.

### Lending to Borrowers of Different Incomes

ODNB's record of lending to borrowers of different income levels reflects excellent penetration and exceeds the standards for satisfactory performance.

Table 2, below, shows the distribution of consumer loans among borrowers of different income levels as compared to the percent of households at each income level:

Table 2 - Borrower Distribution of Consumer Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	22.63%	21.74%	15.97%	30.43%	20.05%	26.09%	41.34%	21.74%

The bank's lending to low-income borrowers is near to the ratio of households with low-incomes in the bank's AA. This penetration is excellent when taking into consideration the fact that a low-income individual or family earned less than \$36,393, and 11.28% of the families in the AA are below poverty level and considered very low income. This

makes it more difficult for applicants to qualify for a loan.

The table shows that lending to moderate-income borrowers significantly exceeds the ratio of households with moderate-incomes within the AA. This penetration is excellent.

**Geographic Distribution of Loans**

The geographic distribution of loans in the AA reflects reasonable dispersion. We did not identify any unexplained conspicuous gaps.

Table 3, below, shows the dispersion of consumer loans among geographies of different income levels as compared to the percentage of households in each census tract income level.

<b>Table 3 - Geographic Distribution of Consumer Loans in AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	1.78%	0.00	18.5%	13.04%	59.56%	69.56%	20.14%	17.39%

Based on our sample, there were no loans made in the one low-income census tract. This is acceptable considering that there is one low-income census tract with a fairly low population of 3,089. This limits lending opportunities in the low-income census tract.

The table shows that lending in moderate-income geographies is lower than the ratio of households in moderate-income tracts. This is reasonable when taking into consideration the fact that the bank has only two branches, both located in middle-income tracts. Additionally, the bank has a low deposit market share of 0.56% in the Charlottesville, MSA AA, limiting the bank’s lending opportunities.

**Responses to Complaints**

ODNB did not receive any complaints about its performance in helping to meet credit needs in the assessment area during this evaluation period. This has a neutral impact on the overall rating.

**Fair Lending or Other Illegal Credit Practices Review**

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