
PUBLIC DISCLOSURE

June 17, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Marshall National Bank and Trust Company
Charter # 10253

8372 West Main Street
Post Office Box 38
Marshall, Virginia 22115

Office of the Comptroller of the Currency
Richmond Duty Station
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Richmond, Virginia 23235

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.

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 Community Reinvestment Act (CRA) performance of Marshall National Bank and Trust Company by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of June 17, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

INSTITUTION'S CRA RATING: This institution is rated SATISFACTORY.

Marshall National Bank and Trust Company (Marshall NB) continues to meet the spirit and intent of the CRA through its efforts to meet the credit and service needs of the community. The bank extends a majority of its loans within its Fauquier County assessment area. The institutions' loan-to-deposit ratio is reasonable and is consistent with banks operating in its assessment area. Marshall NB's geographic distribution of loans show broad-based penetration throughout Fauquier County. Also, lending among borrowers of different incomes and businesses of different sizes is very good.

The following table indicates the performance level of Marshall National Bank & Trust Company with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>Marshall National Bank & Trust Company</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to businesses of Different sizes	X		
Geographic Distribution of Loans		X	
Response to Complaints	There have been no CRA complaints received since the last CRA examination.		

DESCRIPTION OF INSTITUTION

Marshall National Bank & Trust Company is a \$74 million full service independent community bank headquartered in Marshall, Virginia. In addition to its main office, the bank operates its only branch 15 miles to the south in Warrenton, Virginia, Fauquier's county seat. Among its immediate competitors in Fauquier County, Marshall NB is the second smallest bank in terms of total assets and has the fewest number of office locations at two. The majority of the bank's earning assets are in loans, at 57%. Marshall NB's \$44 million loan portfolio is centered primarily in real estate loans (80%) and is distributed as follows:

▶ 1-4 family residential	48%
▶ multifamily residential	3
▶ farmland	9
▶ non farm, non residential	17
▶ commercial loans to businesses	12
▶ other loans	<u>11</u>
	100%

The bank's strategic emphasis is focused on a continuation of loan growth in the commercial small business sector. A substantial majority of the commercial loans extended by the bank are to small businesses located in its assessment area. There are no significant impediments that would hinder Marshall NB's ability to meet the credit needs of the community.

DESCRIPTION OF ASSESSMENT AREA

Marshall NB has designated Fauquier County, with a population of nearly 50 thousand, as its assessment area. Fauquier County is included in the Northern Virginia, Washington, D.C., Maryland, and West Virginia Consolidated Metropolitan Statistical Area (CMSA #8840). The bank's Fauquier County assessment area meets the requirements of the Community Reinvestment Act as no areas have been arbitrarily excluded.

The County's goal of concentrating growth around towns and villages is being realized. Fauquier County leaders expect around 75% - 80% of the population increases in the future to occur in the planned growth areas where sewer facilities are readily available. These growth hubs include Warrenton, Remington, Marshall, and The Plains areas. The 1996 Housing and Urban Development (HUD) estimated median family income is \$68,300. The median housing value is \$121,700. Fauquier County is 90% rural and has a reputation as prime cattle and horse country. The area is also home to many expansive farm estates. The County enjoys a lower than average unemployment rate due in part to its close proximity to northern Virginia's booming economy. The bank operates in an intensely competitive environment, especially in the greater Warrenton area. The Town of Warrenton is only 50 miles southwest of the nation's capital, Washington, D.C. As the hub for commercial activity in Fauquier

County, Warrenton is home to several community banks, a credit union, and branches of large regional banking companies.

Of the nine block numbering areas (BNAs) in rural Fauquier County, the 1990 census lists four as having no families listed. The remaining five BNAs represent middle income tracts with 13,330 total families. The percentage distribution of families within these five middle income tracts is as follows:

Low Income	Moderate Income	Middle Income	Upper Income
18%	21%	29%	32%

We contacted individuals in the greater Marshall and Fauquier County areas familiar with housing, community development, and service needs of the community. One organization expressed the need for more affordable housing opportunities, and a local minister felt more smaller loans and “rehab” loans would be of benefit to area residents.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan-to-Deposit Ratio

- ▶ The average loan-to-deposit ratio, at 62% , is reasonable and is consistent with the 64% average of other banks operating in Fauquier County.

Marshall NB’s loan-to-deposit ratio has increased from 50% at the last CRA examination in December 1993 to 64% through March 31, 1996. Since year-end 1994, the bank’s quarterly loan-to-deposit ratio has remained virtually stable within a range from 62% - 64%.

Lending in the Assessment Area

- ▶ Marshall NB extends a majority of its loans within its Fauquier County assessment area.

Mortgage loans made within the assessment area continue to increase. As a percentage of total dollars, lending in the assessment area has advanced from 48% in 1994 to 72% in 1995 and 84% through March 31, 1996. According to internal management reports, for all loan types by dollar volume, extensions made within the assessment area during 1995 amounted to 61%.

Lending to borrowers of different incomes and to businesses of different sizes.

- ▶ Marshall NB's lending penetration to borrowers of different income levels and to commercial businesses of different sizes is very good.

Except for mortgage products analyzed through collection of data for the Home Mortgage Disclosure Act (HMDA), the bank is not required to formally track borrower income for other types of loans. A review of HMDA data show reasonable penetration among low (18%) and moderate (21%) income borrowers who represent 39% of all families who live in Fauquier County. Middle and upper income families represent 29% and 32% respectively within the County. As the tables below indicate, the percentage of the total number of loans to families in each income range is roughly proportional to the percentage of families in the assessment area. In particular, the bank's efforts in meeting the credit needs of low and moderate income borrowers is good. It is also important to note that Marshall NB routinely extends small loans in amounts ranging from \$200 - \$1,000. These small loan amounts are considered to be very important sources of credit for low income families in Fauquier County.

Home Mortgage Lending by Income Levels												
1994					1995				Through 3-31-96			
Income Levels*	#	% of Total #	\$000's	% of Total \$	#	% of Total #	\$000's	% of Total \$	#	% of Total #	\$000's	% of Total \$
Low \$33,467 or less	4	11	196	5	12	31	428	13	4	31	211	10
Moderate \$33,468-\$53,957	8	23	665	16	9	23	703	21	1	8	56	3
Middle \$53,958-\$81,277	8	23	752	19	7	18	717	21	0	NA	NA	NA
Upper over \$81,278	15	43	2,415	60	11	28	1,543	45	8	61	1,735	87
Total	35	100	4,028	100	39	100	3,391	100	13	100	2,002	100

* 1996 estimated HUD median income = \$67,300.

Summary of Home Mortgage Lending by Income Levels									
Low		Moderate		Middle		Upper		Total	
#Loans	% Loans	#Loans	% Loans	#Loans	% Loans	#Loans	% Loans	#Loans	% Loans

20	23	18	21	15	17	34	39	87
\$ Amount	% Amount	\$ Amount	% Amount	\$ Amount	% Amount	\$ Amount	% Amount	\$ Amount
835	9	1,424	15	1,469	16	5,693	60	9,421

Of the 13 commercial loans reviewed as part of our sample, all were to businesses with revenues less than \$1 million. The bank’s predominate commercial loan emphasis is lending to small businesses. This is consistent with Marshall NB’s lending capacity and the size of commercial businesses within its assessment area. Internal management reports show that a substantial majority of all commercial loans made are to companies with revenues less than \$1 million.

Geographic Distribution of Loans

- ▶ Marshall NB’s geographic distribution of loans show broad-based penetration throughout Fauquier County.

Our sample of 13 commercial and 21 mortgage related loans shows reasonable distribution among all five middle income BNAs. A majority of loan originations are concentrated around the bank’s two office locations.

Response to Complaints

- ▶ There have been no CRA complaints received since the last CRA examination.

Compliance with Antidiscrimination Laws

- ▶ Marshall NB is in substantial compliance with antidiscrimination laws and regulations, including fair lending and fair housing laws. The bank has implemented fair lending compliance testing procedures to ensure fair and equal treatment to all applicants for credit.

OCC’s fair lending review did not reveal any violations of the substantive provisions of antidiscrimination laws and regulations.