



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

February 27, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Patriot Bank, N.A.
Charter Number 23088**

**Post Office Box 610
Stafford, Virginia 22555-0610**

**Office of the Comptroller of the Currency
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.*

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 **Patriot Bank, N.A.** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of February 27, 1998. 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**.

Patriot Bank, N.A. demonstrates satisfactory performance in meeting its community's credit needs. This is evidenced by a reasonable loan to deposit ratio and a substantial majority of the bank's loans and lending related activities being located within its assessment area. The bank's lending activity shows very good distribution among businesses of different sizes and individuals of different income levels. We found the bank's lending within its assessment area to be reasonably distributed based on the geographic distribution of the area's census tracts.

The following table indicates the performance level of **Patriot Bank, N.A.** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	Patriot Bank, N.A. 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	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION:

Patriot Bank, N.A. (Patriot) was formed July 2, 1996, as the result of a spin-off of four offices of Peoples National Bank, formerly Peoples Bank of Danville. Patriot operates with five offices, located in three contiguous counties, in northeastern Virginia. It has \$113 million in assets, \$70 million in loans and about \$104 million in deposits. Patriot has no constraints in its ability to meet the various credit needs within its assessment area . The bank's lending activities meet a variety of credit needs, and are weighted in the real estate area. The loan portfolio is distributed, by percentage, as follows: commercial real estate 50%; residential real estate 35%; consumer loans 8%; and commercial 7%. Patriot Bank facilitates additional residential mortgage lending activity by channeling customers to its associated company, the Mortgage Company of Virginia.

DESCRIPTION OF ASSESSMENT AREA

The bank's designated assessment area comprises Stafford, Spotsylvania, and Prince William Counties and the cities of Fredericksburg and Manassas. This assessment area falls within the Washington, DC-MD-VA-WV Metropolitan Statistical Area (MSA) for census purposes. Total population of the bank's assessment area is 381,000. It comprises 68 inhabited census tracts, of which 28% are designated as low or moderate income, 62% are middle income, and 10% are upper. The updated 1997 MSA median family income for this area is \$70,300.

Area projections in terms of population and job growth are positive. The largest sectors of employment in the Fredericksburg region, which includes Spotsylvania and Stafford counties, are services, government services, and retail trade. The economy for Prince William County and the Manassas area is driven by retail and wholesale trade, government services, and general services. Much of the assessment area is commutable to Washington DC, and to Richmond, the Virginia state capital, which has helped fuel the local housing market.

Contacts with local community and business leaders indicates a need for affordable housing loans and start-up capital to small businesses. Overall comments regarding local financial institutions, and whether they are meeting these needs, was positive.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan to Deposit Ratio:

Patriot exhibits a reasonable loan to deposit ratio when considering levels achieved by similarly situated institutions in its community. The loan to deposit ratio has averaged 63% over the past five quarters since its spin-off, and was 66% as of September 30, 1997. Two similarly situated community banks in the area reported a combined loan to deposit ratio of 70% over the same time period.

The bank also facilitates credit in its assessment area that is not reflected on its balance sheet. Customers are often referred to the bank's associated company, the Mortgage Company of Virginia, for conventional residential mortgages. This activity accounted for 25 loans totaling \$2,113M in 1997. The Mortgage Company of Virginia participates in programs offered by the Virginia Housing Development Authority which benefit borrowers with low and moderate income levels.

Lending Within the Assessment Area:

Patriot's lending practices in this category exceed standards for satisfactory performance. Our sample of consumer loans indicated that 90% of the loan customers resided in the bank's assessment area. We also reviewed all residential real estate loans made in 1997 and found that 88% of these borrowers resided in the assessment area.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes:

The bank's lending activity exhibits excellent distribution among individuals of different income levels and businesses of different sizes. Our review of the income levels of the customers who were approved for residential real estate loans in 1997 revealed that 81% had incomes considered low or moderate when compared to the area's median family income. An analysis of the income levels of borrowers who were approved for consumer purpose loans indicated that 80% of these borrowers reported incomes that are considered low or moderate. The combined rate totals 81%, which compares favorably to the area demographics which show only 39% of families in the assessment area have low or moderate income levels.

Income Level	% of Families in Assessment Area	% of Sample Consumer Real Estate	% of Sample Other Consumer
Low	16%	26%	64%
Moderate	23%	55%	16%
Middle	31%	12%	20%
Upper	30%	7%	0%

The bank's lending activity also exhibits reasonable distribution among businesses of all sizes. By using loan amount as an indicator of business size, we found that 64% of business loans made in 1997 were to "small" businesses. Loans for amounts of \$100M or less were assumed to have been made to small businesses, which are those with less than \$1 million in annual revenues..

Geographic Distribution of Loans:

The bank's lending within its assessment area is reasonably distributed. Twenty seven percent of the loans in our sample were to borrowers in moderate income census tracts. Loan penetration in moderate income tracts is favorable, considering that 26% of the total census tracts in the assessment area are designated as moderate income. The bank's assessment area contained only one low-income census tract, which consists primarily of a military reservation. Our sample did not contain any loans from that area.

Other Information:

The bank has not received any written complaints regarding its CRA performance since the prior examination.

No violations of the substantive provisions of antidiscrimination laws and regulations were identified during this examination.