

Village Bank & Trust Financial Corp.
Form 10-Q
August 12, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2015

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 0-50765

VILLAGE BANK AND TRUST FINANCIAL CORP.

(Exact name of registrant as specified in its charter)

Virginia

(State or other jurisdiction of incorporation or organization)

16-1694602

(I.R.S. Employer Identification No.)

13319 Midlothian Turnpike, Midlothian, Virginia 23113

(Address of principal executive offices)

(Zip code)

804-897-3900

(Registrant's telephone number, including area code)

Indicate by check whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

Non-Accelerated Filer (Do not check if smaller reporting company)

Accelerated Filer

Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date.

1,412,897 shares of common stock, \$4.00 par value, outstanding as of July 27, 2015

Village Bank and Trust Financial Corp. and Subsidiary

Form 10-Q

TABLE OF CONTENTS

Part I – Financial Information

Item 1. Financial Statements

<u>Consolidated Balance Sheets June 30, 2015 (unaudited) and December 31, 2014</u>	3
<u>Consolidated Statements of Operations For the Three and Six Months Ended June 30, 2015 and 2014 (unaudited)</u>	4
<u>Consolidated Statements of Changes in Comprehensive Income For the Three and Six Months Ended June 30, 2015 and 2014 (unaudited)</u>	5
<u>Consolidated Statements of Shareholders' Equity For the Six Months Ended June 30, 2015 and 2014 (unaudited)</u>	6
<u>Consolidated Statements of Cash Flows For the Six Months Ended June 30, 2015 and 2014 (unaudited)</u>	7
<u>Notes to Consolidated Financial Statements (unaudited)</u>	8

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 40

Item 3. Quantitative and Qualitative Disclosures About Market Risk 62

Item 4. Controls and Procedures 62

Part II – Other Information

Item 1. Legal Proceedings 63

Item 1A. Risk Factors 63

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds 63

Item 3. Defaults Upon Senior Securities 63

Item 4. Mine Safety Disclosures 63

Item 5. Other Information 63

Item 6. Exhibits

64

Signatures

65

2

Part I – Financial Information

ITEM 1 – FINANCIAL STATEMENTS

Village Bank and Trust Financial Corp. and Subsidiary
Consolidated Balance Sheets
June 30, 2015 (Unaudited) and December 31, 2014
(dollars in thousands)

	June 30, 2015	December 31, 2014
Assets		
Cash and due from banks	\$15,796	\$ 25,115
Federal funds sold	4,174	23,988
Total cash and cash equivalents	19,970	49,103
Investment securities available for sale	39,420	39,542
Loans held for sale	20,662	9,914
Loans		
Outstandings	301,629	286,146
Allowance for loan losses	(5,567)	(5,729)
Deferred fees and costs	1,060	722
	297,122	281,139
Other real estate owned, net of valuation allowance	8,605	12,638
Assets held for sale	13,711	13,502
Premises and equipment, net	13,718	14,301
Bank owned life insurance	7,038	6,947
Accrued interest receivable	2,041	1,372
Other assets	5,779	5,546
	\$428,066	\$ 434,004
Liabilities and Shareholders' Equity		
Liabilities		
Deposits		
Noninterest bearing demand	\$74,482	\$ 77,496
Interest bearing	295,929	301,364
Total deposits	370,411	378,860
Federal Home Loan Bank advances	7,000	14,000
Long-term debt - trust preferred securities	8,764	8,764
Other borrowings	3,657	3,302
Accrued interest payable	1,254	1,167
Other liabilities	7,078	8,853

Edgar Filing: Village Bank & Trust Financial Corp. - Form 10-Q

Total liabilities	398,164	414,946
Shareholders' equity		
Preferred stock, \$4 par value, \$1,000 liquidation preference, 1,000,000 shares authorized; 5,715 shares issued and outstanding at June 30, 2015, 14,738 shares issued and outstanding at December 31, 2014	23	59
Common stock, \$4 par value, 10,000,000 shares authorized; 1,403,647 shares issued and outstanding at June 30, 2015 350,622 shares issued and outstanding at December 31, 2014	5,553	1,339
Additional paid-in capital	58,417	58,188
Accumulated deficit	(34,171)	(40,539)
Common stock warrant	732	732
Stock in directors rabbi trust	(1,034)	(878)
Directors deferred fees obligation	1,034	878
Accumulated other comprehensive loss	(652)	(721)
Total shareholders' equity	29,902	19,058
	\$428,066	\$ 434,004

See accompanying notes to consolidated financial statements.

Village Bank and Trust Financial Corp. and Subsidiary
Consolidated Statements of Operations
Three and Six Months Ended June 30, 2015 and 2014
(Unaudited)
(dollars in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Interest income				
Loans	\$ 3,692	\$ 3,795	\$ 7,316	\$ 7,766
Investment securities	154	322	309	654
Federal funds sold	18	25	36	44
Total interest income	3,864	4,142	7,661	8,464
Interest expense				
Deposits	620	767	1,256	1,553
Borrowed funds	103	138	225	300
Total interest expense	723	905	1,481	1,853
Net interest income	3,141	3,237	6,180	6,611
Provision for loan losses	-	-	-	100
Net interest income after provision for loan losses	3,141	3,237	6,180	6,511
Noninterest income				
Service charges and fees	683	601	1,275	1,084
Gain on sale of loans	1,728	1,352	2,957	2,163
Gain on sale of assets	-	3	-	3
Gain on sale of investment securities	-	1	7	1
Rental income	250	250	490	506
Other	75	112	177	236
Total noninterest income	2,736	2,319	4,906	3,993
Noninterest expense				
Salaries and benefits	2,711	2,679	5,379	5,449
Commissions	443	347	735	569
Occupancy	409	393	887	875
Equipment	212	174	398	380
Write down of assets held for sale	687	-	687	-
Supplies	65	78	134	166
Professional and outside services	649	642	1,296	1,281
Advertising and marketing	101	56	173	139
Loss (gain) on sale and write down of OREO, net	(218)	404	(86)	687
Other operating expense	734	816	1,404	1,648
Total noninterest expense	5,793	5,589	11,007	11,194

Edgar Filing: Village Bank & Trust Financial Corp. - Form 10-Q

Net income (loss) before income tax expense (benefit)	84	(33)	79	(690)
Income tax expense (benefit)	-	-	-	-
Net income (loss)	84	(33)	79	(690)
Preferred stock dividends and amortization of discount	(167)	(347)	(330)	(661)
Preferred stock principal forgiveness	-	-	4,404	-
Preferred stock dividend forgiveness	-	-	2,215	-
Income (loss) available to common shareholders	\$ (83)	\$ (380)	\$6,368	\$(1,351)
Earnings (loss) per share, basic	\$ (0.06)	\$ (1.14)	\$7.00	\$(4.04)
Earnings (loss) per share, diluted	\$ (0.06)	\$ (1.14)	\$6.92	\$(4.04)

See accompanying notes to consolidated financial statements.

Village Bank and Trust Financial Corp. and Subsidiary
Consolidated Statements of Changes in Comprehensive Income (Loss)
Three and Six Months Ended June 30, 2015 and 2014
(Unaudited)
(dollars in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net income (loss)	\$ 84	\$ (33)	\$ 79	\$ (690)
Other comprehensive income (loss)				
Unrealized holding gains (losses) arising during the period	(551)	1,323	106	3,149
Tax effect	(187)	450	37	1,070
Net change in unrealized holding gains (losses) on securities available for sale, net of tax	(364)	873	69	2,079
Reclassification adjustment				
Reclassification adjustment for gains realized in net income	-	(1)	(7)	(1)
Tax effect	-	-	(2)	-
Reclassification for gains included in net income, net of tax	-	(1)	(5)	(1)
Minimum pension adjustment	3	3	6	6
Tax effect	1	1	2	2
Minimum pension adjustment, net of tax	2	2	4	4
Total other comprehensive income (loss)	(362)	874	69	2,082
Total comprehensive income (loss)	\$ (278)	\$ 841	\$ 148	\$ 1,392

See accompanying notes to consolidated financial statements.

Village Bank and Trust Financial Corp. and Subsidiary
Consolidated Statements of Shareholders' Equity
Six Months Ended June 30, 2015 and 2014
(Unaudited)
(dollars in thousands)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Warrant	Discount on Preferred Stock	Stock in Directors Rabbi Trust	Directors Deferred Fees Obligation	Accumulated Other Loss	Total
Balance, December 31, 2014	\$ 59	\$ 1,339	\$ 58,188	\$(40,539)	\$ 732	\$ -	\$(878)	\$ 878	\$(721)	\$ 19,058
Preferred stock dividend	-	-	-	(330)	-	-	-	-	-	(330)
Restricted stock issuance	-	7	(85)	-	-	-	(156)	156	-	(78)
Issuance of common stock, net of offering expense of \$1,200	-	2,875	5,842	-	-	-	-	-	-	8,717
Preferred stock exchanged for common stock	(18)	1,332	(1,314)	-	-	-	-	-	-	-
Preferred stock principal forgiveness	(18)	-	(4,386)	4,404	-	-	-	-	-	-
Preferred stock dividend forgiveness	-	-	-	2,215	-	-	-	-	-	2,215
Stock based compensation	-	-	172	-	-	-	-	-	-	172
Minimum pension adjustment (net of income taxes of \$1)	-	-	-	-	-	-	-	-	4	4
Net income	-	-	-	79	-	-	-	-	-	79
Change in unrealized gain (loss) on investment securities available-for-sale, net of reclassification and	-	-	-	-	-	-	-	-	65	65

Edgar Filing: Village Bank & Trust Financial Corp. - Form 10-Q

tax effect

Balance, June 30, 2015	\$ 23	\$ 5,553	\$ 58,417	\$(34,171)	\$ 732	\$ -	\$(1,034)	\$ 1,034	\$(652)	\$ 29,902
Balance, December 31, 2013	\$ 59	\$ 21,353	\$ 38,054	\$(38,066)	\$ 732	\$(50)	\$(878)	\$ 878	\$(3,838)	\$ 18,244
Amortization of preferred stock discount	-	-	-	(50)	-	50	-	-	-	-
Preferred stock dividend	-	-	-	(611)	-	-	-	-	-	(611)
Stock based compensation	-	-	24	-	-	-	-	-	-	24
Minimum pension adjustment (net of income taxes of \$1)	-	-	-	-	-	-	-	-	4	4
Net loss	-	-	-	(690)	-	-	-	-	-	(690)
Change in unrealized gain (loss) on investment securities available-for-sale, net of reclassification and tax effect	-	-	-	-	-	-	-	-	2,078	2,078
Balance, June 30, 2014	\$ 59	\$ 21,353	\$ 38,078	\$(39,417)	\$ 732	\$ -	\$(878)	\$ 878	\$(1,756)	\$ 19,049

See accompanying notes to consolidated financial statements.

Village Bank and Trust Financial Corp. and Subsidiary
Consolidated Statements of Cash Flows
Six Months Ended June 30, 2015 and 2014
(Unaudited)
(dollars in thousands)

	2015	2014
Cash Flows from Operating Activities		
Net income (loss)	\$79	\$(690)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	445	325
Deferred income taxes	52	(308)
Valuation allowance deferred income taxes	(52)	308
Provision for loan losses	-	100
Write-down of other real estate owned	158	369
Valuation allowance other real estate owned	(293)	(429)
Write-down of assets held for sale	687	-
Gain on securities sold	(7)	(1)
Gain on loans sold	(2,957)	(2,163)
(Gain) loss on sale and disposal of premises and equipment	12	(3)
Gain on sale of other real estate owned	(451)	(234)
Stock compensation expense	172	24
Proceeds from sale of mortgage loans	101,559	79,367
Origination of mortgage loans for sale	(109,350)	(81,022)
Amortization of premiums and accretion of discounts on securities, net	142	205
Decrease (increase) in interest receivable	(669)	146
Increase in bank owned life insurance	(91)	(91)
Increase in other assets	(822)	(656)
Increase in interest payable	87	244
Increase in other liabilities	134	1,300
Net cash used in operating activities	(11,165)	(3,209)
Cash Flows from Investing Activities		
Purchases of available for sale securities	(6,748)	-
Proceeds from the sale or calls of available for sale securities	6,834	3,207
Net decrease (increase) in loans	(15,970)	17,426
Proceeds from sale of other real estate owned	4,606	5,663
Purchases of premises and equipment	(561)	(898)
Proceeds from sale of premises and equipment	-	17
Net cash (used in) provided by investing activities	(11,839)	25,415
Cash Flows from Financing Activities		
Net proceeds from sale of common stock, net of expenses of \$990	8,965	-
Net increase (decrease) in deposits	(8,449)	(1,351)
Net decrease in Federal Home Loan Bank Advances	(7,000)	(3,000)

Edgar Filing: Village Bank & Trust Financial Corp. - Form 10-Q

Net increase in other borrowings	355	(726)
Net cash (used in) provided by financing activities	(6,129)	(5,077)
Net increase (decrease) in cash and cash equivalents	(29,133)	17,129
Cash and cash equivalents, beginning of period	49,103	40,209
Cash and cash equivalents, end of period	\$19,970	\$57,338
Supplemental Disclosure of Cash Flow Information		
Cash payments for interest	\$1,395	\$1,496
Supplemental Schedule of Non Cash Activities		
Real estate owned assets acquired in settlement of loans	\$279	\$4,931
Assets moved to held for sale	\$831	\$-
Dividends on preferred stock accrued	\$330	\$611
Non-Cash conversion of preferred shares	\$4,619	\$-
Forgiveness of principal and accrued dividends	\$6,619	\$-

See accompanying notes to consolidated financial statements.

Village Bank and Trust Financial Corp. and Subsidiary

Notes to Consolidated Financial Statements

Three and Six Months Ended June 30, 2015 and 2014

(Unaudited)

Note 1 - Principles of presentation

Village Bank and Trust Financial Corp. (the “Company”) is the holding company of Village Bank (the “Bank”). The consolidated financial statements include the accounts of the Company, the Bank and the Bank’s subsidiary. All material intercompany balances and transactions have been eliminated in consolidation.

On August 6, 2014, the Company filed Articles of Amendment to its Articles of Incorporation with the Virginia State Corporation Commission to effect a reverse stock split of its outstanding common stock which became effective on August 8, 2014. As a result of the reverse split, every sixteen shares of the Company’s issued and outstanding common stock were consolidated into one issued and outstanding share of common stock. The computations of basic and diluted earnings (loss) per share have been adjusted retroactively to reflect the reverse stock split.

In the opinion of management, the accompanying condensed consolidated financial statements of the Company have been prepared on the accrual basis in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. However, all adjustments that are, in the opinion of management, necessary for a fair presentation have been included. The results of operations for the six month period ended June 30, 2015 is not necessarily indicative of the results to be expected for the full year ending December 31, 2015. The unaudited interim financial statements should be read in conjunction with the audited financial statements and notes to financial statements that are presented in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014 as filed with the Securities and Exchange Commission (“SEC”).

The Company has evaluated events and transactions occurring subsequent to the consolidated balance sheet date of June 30, 2015 for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through the date these consolidated financial statements were issued.

Note 2 - Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the balance sheets and statements of operations for the period. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant change include the determination of the allowance for loan losses and its related provision, the valuation allowance on the deferred tax asset, and the estimate of the fair value of assets held for sale.

Note 3 - Earnings (loss) per common share

The following table presents the basic and diluted earnings (loss) per common share computation (in thousands, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Numerator				
Net income (loss) - basic and diluted	\$ 84	\$ (33)	\$ 79	\$ (690)
Preferred stock dividend and accretion	(167)	(347)	(330)	(661)
Preferred stock principal forgiveness	-	-	4,404	-
Preferred stock dividend forgiveness	-	-	2,215	-
Net income (loss) available to common shareholders	\$ (83)	\$ (380)	\$ 6,368	\$ (1,351)
Denominator				
Weighted average shares outstanding - basic	1,388	334	909	334
Dilutive effect of common stock options and restricted stock awards	-	-	11	-
Weighted average shares outstanding - diluted	1,388	334	920	334
Earnings (loss) per share - basic	\$ (0.06)	\$ (1.14)	\$ 7.00	\$ (4.04)
Earnings (loss) per share - diluted	\$ (0.06)	\$ (1.14)	\$ 6.92	\$ (4.04)

Outstanding options and warrants to purchase common stock were considered in the computation of diluted earnings (loss) per share for the periods presented.

Stock options for 4,505 and 6,519 shares of common stock were not included in computing diluted earnings (loss) per share for the three and six months ended June 30, 2015 and 2014, respectively, because their effects were anti-dilutive. Warrants for 31,190 shares of common stock were not included in computing earnings (loss) per share in 2015 and 2014 because their effects were also anti-dilutive.

Note 4 – Investment securities available for sale

Edgar Filing: Village Bank & Trust Financial Corp. - Form 10-Q

At June 30, 2015 and December 31, 2014, all of our securities were classified as available-for-sale. The following table presents the composition of our investment portfolio at the dates indicated (dollars in thousands):

Edgar Filing: Village Bank & Trust Financial Corp. - Form 10-Q

	Par Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Average Yield	
June 30, 2015							
US Government Agencies							
One to five years	\$ 10,000	\$ 10,193	\$ -	\$ (110)	\$ 10,083	1.09 %	
Five to ten years	20,500	21,923	-	(659)	21,264	2.09 %	
More than ten years	3,418	3,426	3	(5)	3,424	0.82 %	
	33,918	35,542	3	(774)	34,771	1.49 %	
Mortgage-backed securities							
One to five years	2,013	2,069	-	(33)	2,036	1.22 %	
More than ten years	1,363	1,426	2	(15)	1,413	1.30 %	
	3,376	3,495	2	(48)	3,449	1.29 %	
Municipals							
More than ten years	1,130	1,260	-	(60)	1,200	3.72 %	
Total investment securities	\$ 38,424	\$ 40,297	\$ 5	\$ (882)	\$ 39,420	1.54 %	

December 31, 2014

US Government Agencies							
One to five years	\$ 10,000	\$ 10,324	\$ -	\$ (225)	\$ 10,099	1.10 %	
Five to ten years	22,500	23,895	-	(647)	23,248	1.98 %	
	32,500	34,219	-	(872)	33,347	1.71 %	
Mortgage-backed securities							
More than ten years	471	484	2	(2)	484	0.31 %	
Municipals							
Five to ten years	1,000	1,131	-	(20)	1,111	2.50 %	
More than ten years	4,130	4,684	2	(86)	4,600	2.89 %	
	5,130	5,815	2	(106)	5,711	2.82 %	
Total investment securities	\$ 38,101	\$ 40,518	\$ 4	\$ (980)	\$ 39,542	1.85 %	

Investment securities available for sale that have an unrealized loss position at June 30, 2015 and December 31, 2014 are detailed below (in thousands):

	Securities in a loss position for less than 12 Months		Securities in a loss position for more than 12 Months		Total Fair Value	Unrealized Losses	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses			
June 30, 2015							
US Government Agencies	\$ 16,609	\$ (515)	\$ 16,176	\$ (259)	\$ 32,785	\$ (774)	
Municipals	701	(22)	499	(38)	1,200	(60)	
Mortgage-backed securities	3,091	(48)	-	-	3,091	(48)	

Edgar Filing: Village Bank & Trust Financial Corp. - Form 10-Q

\$ 20,401 \$ (585) \$ 16,675 \$ (297) \$ 37,076 \$ (882)

December 31, 2014

US Government Agencies	\$ -	\$ -	\$ 33,347	\$ (872)	\$ 33,347	\$ (872)
Municipals	-	-	5,497	(106)	5,497	(106)
Mortgage-backed securities	-	-	363	(2)	363	(2)
	\$ -	\$ -	\$ 39,207	\$ (980)	\$ 39,207	\$ (980)

Management does not believe that any individual unrealized loss as of June 30, 2015 and December 31, 2014 is other than a temporary impairment. These unrealized losses are primarily attributable to changes in interest rates. As of June 30, 2015, management does not have the intent to sell any of the securities classified as available for sale and management believes that it is more likely than not that the Company will not have to sell any such securities before a recovery of cost. Approximately \$10 million of these securities are pledged against current and potential fundings.

Note 5 – Loans and allowance for loan losses

The following table presents the composition of our loan portfolio (excluding mortgage loans held for sale) at the dates indicated (dollars in thousands):

	June 30, 2015		December 31, 2014	
	Amount	%	Amount	%
Construction and land development				
Residential	\$5,967	1.98 %	\$4,315	1.51 %
Commercial	25,548	8.48 %	25,152	8.80 %
	31,515	10.46 %	29,467	10.31 %
Commercial real estate				
Owner occupied	63,715	21.12 %	58,804	20.55 %
Non-owner occupied	38,231	12.67 %	38,892	13.59 %
Multifamily	8,989	2.98 %	11,438	4.00 %
Farmland	400	0.13 %	434	0.15 %
	111,335	36.91 %	109,568	38.29 %
Consumer real estate				
Home equity lines	19,533	6.48 %	20,082	7.02 %
Secured by 1-4 family residential				
First deed of trust	59,965	19.88 %	61,837	21.61 %
Second deed of trust	7,585	2.51 %	7,854	2.74 %
	87,083	28.87 %	89,773	31.37 %
Commercial and industrial loans (except those secured by real estate)	22,118	7.33 %	22,165	7.75 %
Guaranteed student loans	48,051	15.93 %	33,562	11.73 %
Consumer and other	1,527	0.50 %	1,611	0.55 %
Total loans	301,629	100.00 %	286,146	100.00 %
Deferred loan cost, net	1,060		722	
Less: allowance for loan losses	(5,567)		(5,729)	
	\$297,122		\$281,139	

The Company assigns risk rating classifications to its loans. These risk ratings are divided into the following groups:

Risk rated 1 to 4 loans are considered of sufficient quality to preclude an adverse rating. These assets generally are well protected by the current net worth and paying capacity of the obligor or by the value of the asset or underlying collateral;

- Risk rated 5 loans are defined as having potential weaknesses that deserve management's close attention;

Risk rated 6 loans are inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any;

Risk rated 7 loans have all the weaknesses inherent in substandard loans, with the added characteristics that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable; and

Loans rated 6 or 7 are considered "Classified" loans for regulatory classification purposes.

The following tables provide information on the risk rating of loans at the dates indicated (in thousands):

	Risk Rated 1-4	Risk Rated 5	Risk Rated 6	Risk Rated 7	Total Loans
June 30, 2015					
Construction and land development					
Residential	\$ 5,967	\$ -	\$ -	\$ -	\$ 5,967
Commercial	22,355	1,582	1,611	-	25,548
	28,322	1,582	1,611	-	31,515
Commercial real estate					
Owner occupied	56,710	3,176	3,829	-	63,715
Non-owner occupied	35,845	1,706	680	-	38,231
Multifamily	8,784	205	-	-	8,989
Farmland	400	-	-	-	400
	101,739	5,087	4,509	-	111,335
Consumer real estate					
Home equity lines	17,758	187	1,588	-	19,533
Secured by 1-4 family residential					
First deed of trust	53,735	2,976	3,254	-	59,965
Second deed of trust	6,693	26	866	-	7,585
	78,186	3,189	5,708	-	87,083
Commercial and industrial loans (except those secured by real estate)					
Guaranteed student loans	20,492	353	1,273	-	22,118
Consumer and other	48,051	-	-	-	48,051
	1,422	68	37	-	1,527
Total loans	\$ 278,212	\$ 10,279	\$ 13,138	\$ -	\$ 301,629
	Risk Rated 1-4	Risk Rated 5	Risk Rated 6	Risk Rated 7	Total Loans
December 31, 2014					
Construction and land development					
Residential	\$ 3,946	\$ 205	\$ 164	\$ -	\$ 4,315
Commercial	20,641	1,622	2,889	-	25,152
	24,587	1,827	3,053	-	29,467
Commercial real estate					
Owner occupied	47,175	5,234	6,395	-	58,804

Edgar Filing: Village Bank & Trust Financial Corp. - Form 10-Q

Non-owner occupied	36,439	1,811	642	-	38,892
Multifamily	10,703	735	-	-	11,438
Farmland	413	-	21	-	434
	94,730	7,780	7,058	-	109,568
Consumer real estate					
Home equity lines	18,107	465	1,510	-	20,082
Secured by 1-4 family residential					
First deed of trust	52,513	4,763	4,561	-	61,837
Second deed of trust	6,456	434	964	-	7,854
	77,076	5,662	7,035	-	89,773
Commercial and industrial loans (except those secured by real estate)	19,026	2,297	390	452	22,165
Guaranteed student loans	33,562	-	-	-	33,562
Consumer and other	1,488	74	49	-	1,611
Total loans	\$ 250,469	\$ 17,640	\$ 17,585	\$ 452	\$ 286,146

The following table presents the aging of the recorded investment in past due loans and leases as of the dates indicated (in thousands):

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans	Recorded Investment > 90 Days and Accruing
June 30, 2015							
Construction and land development							
Residential	\$ -	\$ -	\$ -	\$ -	\$5,967	\$5,967	\$ -
Commercial	65	-	-	65	25,483	25,548	-
	65	-	-	65	31,450	31,515	-
Commercial real estate							
Owner occupied	378	-	-	378	63,337	63,715	-
Non-owner occupied	-	-	-	-	38,231	38,231	-
Multifamily	-	-	-	-	8,989	8,989	-
Farmland	-	-	-	-	400	400	-
	378	-	-	378	110,957	111,335	-
Consumer real estate							
Home equity lines	58	-	-	58	19,475	19,533	-
Secured by 1-4 family residential							
First deed of trust	420	-	-	420	59,545	59,965	-
Second deed of trust	-	-	-	-	7,585	7,585	-
	478	-	-	478	86,605	87,083	-
Commercial and industrial loans (except those secured by real estate)	7	-	-	7	22,111	22,118	-
Guaranteed student loans	3,420	-	9,632	13,052	34,999	48,051	9,632
Consumer and other	-	-	-	-	1,527	1,527	-
Total loans	\$ 4,348	\$ -	\$ 9,632	\$ 13,980	\$ 287,649	\$ 301,629	\$ 9,632
December 31, 2014							
Construction and land development							
Residential	\$ -	\$ -	\$ -	\$ -	\$4,315	\$4,315	\$ -
Commercial	92	391	-	483	24,669	25,152	-

Edgar Filing: Village Bank & Trust Financial Corp. - Form 10-Q

	92	391	-	483	28,984	29,467	-
Commercial real estate							
Owner occupied	715	-	-	715	58,089	58,804	-
Non-owner occupied	-	-	-	-	38,892	38,892	-
Multifamily	-	-	-	-	11,438	11,438	-
Farmland	-	-	-	-	434	434	-
	715	-	-	715	108,853	109,568	-
Consumer real estate							
Home equity lines	31	139	-	170	19,912	20,082	-
Secured by 1-4 family residential							
First deed of trust	-	153	-	153	61,684	61,837	-
Second deed of trust	56	-	-	56	7,798	7,854	-
	87	292	-	379	89,394	89,773	-
Commercial and industrial loans (except those secured by real estate)	-	47	-	47	22,118	22,165	-
Guaranteed student loans	671	392	720	1,783	31,779	33,562	720
Consumer and other	-	8	-	8	1,603	1,611	-
Total loans	\$ 1,565	\$ 1,130	\$ 720	\$ 3,415	\$ 282,731	\$ 286,146	\$ 720

Loans greater than 90 days past due are student loans that are guaranteed by the Department of Education which covers approximately 98% of the principal and interest. Accordingly, these loans will not be placed on nonaccrual status.

Loans are considered impaired when, based on current information and events it is probable the Company will be unable to collect all amounts due in accordance with the original contractual terms of the loan agreement, including scheduled principal and interest payments. Loans evaluated individually for impairment include non-performing loans, such as loans on non-accrual, loans past due by 90 days or more, restructured loans and other loans selected by management. The evaluations are based upon discounted expected cash flows or collateral valuations. If the evaluation shows that a loan is individually impaired, then a specific reserve is established for the amount of impairment. Impairment is evaluated in total for smaller-balance loans of a similar nature and on an individual loan basis for other loans. If a loan is impaired, a specific valuation allowance is allocated, if necessary, so that the loan is reported net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Interest payments on impaired loans are typically applied to principal unless collectability of the principal amount is reasonably assured, in which case interest is recognized on a cash basis. Impaired loans, or portions thereof, are charged off when deemed uncollectible. Impaired loans are set forth in the following table as of the dates indicated (in thousands):

	June 30, 2015		
	Recorded	Unpaid Principal	Related
	Investment	Balance	Allowance
With no related allowance recorded			
Construction and land development			
Commercial	\$2,713	\$2,809	\$ -
Commercial real estate			
Owner occupied	2,837	2,837	-
Non-owner occupied	6,122	6,122	-
Multifamily	-	-	-
Farmland	-	-	-
	8,959	8,959	-
Consumer real estate			
Home equity lines	1,468	1,468	-
Secured by 1-4 family residential			
First deed of trust	6,868	6,868	-
Second deed of trust	959	1,394	-
	9,295	9,730	-
Commercial and industrial loans (except those secured by real estate)	120	178	-
Consumer and other	30	30	-
	21,117	21,706	-
With an allowance recorded			
Construction and land development			
Commercial	580	579	25
Commercial real estate			
Owner occupied	6,268	6,531	652
Non-Owner occupied	464	464	38
	6,732	6,995	690
Consumer real estate			
Secured by 1-4 family residential			
First deed of trust	1,428	1,415	224
Second deed of trust	360	353	153
	1,788	1,768	377
Commercial and industrial loans (except those secured by real estate)	421	684	20
	9,521	10,026	1,112
Total			
Construction and land development			
Commercial	3,293	3,388	25
	3,293	3,388	25
Commercial real estate			
Owner occupied	9,105	9,368	652
Non-owner occupied	6,586	6,586	38
	15,691	15,954	690
Consumer real estate			

Edgar Filing: Village Bank & Trust Financial Corp. - Form 10-Q

Home equity lines	1,468	1,468	-
Secured by 1-4 family residential,			
First deed of trust	8,296	8,283	224
Second deed of trust	1,319	1,747	153
	11,083	11,498	377
Commercial and industrial loans (except those secured by real estate)	541	862	20
Consumer and other	30	30	-
	\$30,638	\$31,732	\$ 1,112

	December 31, 2014		
	Recorded	Unpaid Principal	Related
	Investment	Balance	Allowance
With no related allowance recorded			
Construction and land development			
Residential	\$ 164	\$ 164	\$ -
Commercial	3,379	3,379	-
	3,543	3,543	-
Commercial real estate			
Owner occupied	1,686	1,686	-
Non-owner occupied	6,593	6,593	-
Multifamily	2,322	2,322	-
Farmland	21	450	-
	10,622	11,051	-
Consumer real estate			
Home equity lines	800	800	-
Secured by 1-4 family residential			
First deed of trust	6,485	6,493	-
Second deed of trust	1,103	1,373	-
	8,388	8,666	-
Commercial and industrial loans (except those secured by real estate)	263	365	-
Consumer and other	23	36	-
	22,839	23,661	-
With an allowance recorded			
Construction and land development			
Commercial	589	589	26
Commercial real estate			
Owner occupied	6,625	6,640	905
Consumer real estate			
Secured by 1-4 family residential			
First deed of trust	1,415	1,415	200
Second deed of trust	257	257	142
	1,672	1,672	342
Commercial and industrial loans (except those secured by real estate)	555	555	239
	9,441	9,456	1,512
Total			
Construction and land development			
Residential	164	164	-
Commercial	3,968	3,968	26
	4,132	4,132	26
Commercial real estate			
Owner occupied	8,311	8,326	905
Non-owner occupied	6,593	6,593	-

Edgar Filing: Village Bank & Trust Financial Corp. - Form 10-Q

Multifamily	2,322	2,322	-
Farmland	21	450	-
	17,247	17,691	905
Consumer real estate			
Home equity lines	800	800	-
Secured by 1-4 family residential,			
First deed of trust	7,900	7,908	200
Second deed of trust	1,360	1,630	142
	10,060	10,338	342
Commercial and industrial loans (except those secured by real estate)	818	920	239
Consumer and other	23	36	-
	\$32,280	\$33,117	\$ 1,512

The following is a summary of average recorded investment in impaired loans with and without a valuation allowance and interest income recognized on those loans for the periods indicated (in thousands):

	For the Three Months Ended June 30, 2015		For the Six Months Ended June 30, 2015	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded				
Construction and land development				
Residential	\$ -	\$ -	\$ 115	\$ 1
Commercial	2,617	27	2,791	66
	2,617	27	2,906	67
Commercial real estate				
Owner occupied	1,201	14	1,439	31
Non-owner occupied	6,384	70	6,473	157
Multifamily	-	-	481	6
Farmland	-	-	7	-
	7,585	84	8,400	194
Consumer real estate				
Home equity lines	605	-	702	4
Secured by 1-4 family residential				
First deed of trust	6,370	83	6,386	173
Second deed of trust	1,199	16	1,191	30
	8,174	99	8,279	207
Commercial and industrial loans (except those secured by real estate)	134	2	181	4
Consumer and other	22	-	20	1
	18,532	212	19,786	473
With an allowance recorded				
Construction and land development				
Commercial	625	7	606	11
Commercial real estate				
Owner occupied	6,534	50	6,565	116
Non-Owner occupied	220	11	161	12
	6,754	61	6,727	128
Consumer real estate				
Secured by 1-4 family residential				
First deed of trust	1,259	-	1,272	-
Second deed of trust	251	-	253	-
	1,510	-	1,525	-
Commercial and industrial loans (except those secured by real estate)	421	11	457	16
	9,310	79	9,315	155

Total

Construction and land development				
Residential	-	-	115	1
Commercial	3,242	34	3,397	77
	3,242	34	3,512	78
Commercial real estate				
Owner occupied	7,735	64	8,005	147
Non-owner occupied	6,604	81	6,634	169
Multifamily	-	-	481	6
Farmland	-	-	7	-
	14,339	145	15,127	322
Consumer real estate				
Home equity lines	605	-	702	4
Secured by 1-4 family residential,				
First deed of trust	7,629	83	7,657	173
Second deed of trust	1,450	16	1,444	30
	9,684	99	9,803	207
Commercial and industrial loans (except those secured by real estate)	555	13	638	20
Consumer and other	22	-	20	1
	\$ 27,842	\$ 291	\$ 29,101	\$ 628

	For the Three Months Ended June 30, 2014		For the Six Months Ended June 30, 2014	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded				
Construction and land development				
Residential	\$ 182	\$ -	\$ 384	\$ 2
Commercial	3,951	42	3,960	98
	4,133	42	4,344	100
Commercial real estate				
Owner occupied	2,970	38	2,345	65
Non-owner occupied	9,957	82	8,949	215
Multifamily	2,352	36	2,359	71
Farmland	21	-	21	-
	15,300	156	13,674	351
Consumer real estate				
Home equity lines	1,398	2	1,026	16
Secured by 1-4 family residential				
First deed of trust	7,990	108	7,649	193
Second deed of trust	1,224	19	1,090	33
	10,612	129	9,765	242
Commercial and industrial loans (except those secured by real estate)	821	10	758	23
Consumer and other	26	1	20	1
	30,892	338	28,561	717
With an allowance recorded				
Construction and land development				
Commercial	602	7	606	15
Commercial real estate				
Owner occupied	4,459	-	1,298	92
Non-Owner occupied	1,288	-	4,108	-
	5,747	-	5,406	92
Consumer real estate				
Secured by 1-4 family residential				
First deed of trust	1,848	2	1,951	2
Second deed of trust	107	3	108	3
	1,955	5	2,059	5
Commercial and industrial loans (except those secured by real estate)	115	-	116	
	8,419	12	8,187	112
Total				
Construction and land development				
Residential	182	-	384	2
Commercial	4,553	49	4,566	113

Edgar Filing: Village Bank & Trust Financial Corp. - Form 10-Q

	4,735	49	4,950	115
Commercial real estate				
Owner occupied	7,429	38	3,643	157
Non-owner occupied	11,245	82	13,057	215
Multifamily	2,352	36	2,359	71
Farmland	21	-	21	-
	21,047	156	19,080	443
Consumer real estate				
Home equity lines	1,398	2	1,026	16
Secured by 1-4 family residential,				
First deed of trust	9,838	110	9,600	195
Second deed of trust	1,331	22	1,198	36
	12,567	134	11,824	247
Commercial and industrial loans (except those secured by real estate)	936	10	874	23
Consumer and other	26	1	20	1
	\$ 39,311	\$ 350	\$ 36,748	\$ 829

Included in impaired loans are loans classified as troubled debt restructurings (“TDRs”). A modification of a loan’s terms constitutes a TDR if the creditor grants a concession to the borrower for economic or legal reasons related to the borrower’s financial difficulties that it would not otherwise consider. For loans classified as impaired TDRs, the Company further evaluates the loans as performing or nonperforming. If, at the time of restructure, the loan is not considered nonaccrual, it will be classified as performing. TDRs originally classified as nonperforming are able to be reclassified as performing if, subsequent to restructure, they experience six months of payment performance according to the restructured terms. The following is a summary of performing and nonaccrual TDRs and the related specific valuation allowance by portfolio segment as of the dates indicated (dollars in thousands):

	Total	Performing	Nonaccrual	Valuation Allowance
June 30, 2015				
Construction and land development				
Commercial	\$ 1,799	\$ 1,708	\$ 91	\$ -
	1,799	1,708	91	-
Commercial real estate				
Owner occupied	5,823	5,522	301	128
Non-owner occupied	4,205	4,205	-	-
	10,028	9,727	301	128
Consumer real estate				
Secured by 1-4 family residential				
First deed of trust	4,647	4,045	602	-
Second deed of trust	746	368	378	117
	5,393	4,413	980	117
Commercial and industrial loans (except those secured by real estate)	133	-	133	20
Consumer and other	13	-	13	-
	\$17,366	\$ 15,848	\$ 1,518	\$ 265
Number of loans	64	43	21	10

	Total	Performing	Nonaccrual	Specific Valuation Allowance
December 31, 2014				
Construction and land development				
Residential	\$7	\$ -	\$ 7	\$ -
Commercial	3,895	3,751	144	17
	3,902	3,751	151	17
Commercial real estate				
Owner occupied	6,317	5,149	1,168	325
Non-owner occupied	6,593	6,593	-	-
Multifamily	2,322	2,322	-	-
	15,232	14,064	1,168	325
Consumer real estate				
Home equity lines	-	-	-	-
Secured by 1-4 family residential				
First deeds of trust	6,990	5,494	1,496	200
Second deeds of trust	762	658	104	5
	7,752	6,152	1,600	205
Commercial and industrial loans (except those secured by real estate)	239	-	239	12
Consumer and other	16	-	16	-
	\$27,141	\$ 23,967	\$ 3,174	\$ 559
Number of loans	107	77	30	21

The following table provides information about TDRs identified during the indicated periods (dollars in thousands):

	Six Months Ended June 30, 2015			Six Months Ended June 30, 2014		
	Number of Loans	Pre-Modification Recorded Balance	Post-Modification Recorded Balance	Number of Loans	Pre-Modification Recorded Balance	Post-Modification Recorded Balance
Construction and land development						
Commercial	-	\$ -	\$ -	1	\$ 45	\$ 45
	-	-	-	1	45	45
Commercial real estate						
Owner occupied	-	-	-	1	344	344
Non-owner occupied	-	-	-	1	412	412
	-	-	-	2	756	756
Consumer real estate						
Secured by 1-4 family residential						

Edgar Filing: Village Bank & Trust Financial Corp. - Form 10-Q

First deed of trust	-	-	-	2	182	182
	-	-	-	2	182	182
	-	\$ -	\$ -	5	\$ 983	\$ 983

20

The following table provides information about defaults on TDRs identified for the indicated periods (dollars in thousands):

	Six Months Ended June 30, 2015		Six Months Ended June 30, 2014	
	Number of Loans	Recorded Balance	Number of Loans	Recorded Balance
Construction and land development				
Residential	-	\$ -	2	\$ 145
Commercial	3	91	4	140
	3	91	6	285
Commercial real estate				
Owner occupied	1	158	1	344
Non-owner occupied	-	-	-	-
	1	158	1	344
Consumer real estate				
Home equity lines	-	-	1	160
Secured by 1-4 family residential				
First deed of trust	12	835	10	1,058
Second deed of trust	2	98	1	318
	14	933	12	1,536
Commercial and industrial (except those secured by real estate)	1	133	2	251
	19	\$ 1,315	21	\$ 2,416

Activity in the allowance for loan losses is as follows for the periods indicated (dollars in thousands):

	Beginning Balance	Provision for Loan Losses	Charge-offs	Recoveries	Ending Balance
Three Months Ended June 30, 2015					
Construction and land development					
Residential	\$ 35	57	\$ -	\$ -	\$ 92
Commercial	88	331	(71)	21	369
	123	388	(71)	21	461
Commercial real estate					
Owner occupied	1,836	(23)	(127)	-	1,686
Non-owner occupied	607	30	-	2	639
Multifamily	78	32	-	-	110
Farmland	130	(3)	-	-	127
	2,651	36	(127)	2	2,562
Consumer real estate					
Home equity lines	469	11	(40)	1	441
Secured by 1-4 family residential					
First deed of trust	1,703	(456)	(66)	11	1,192
Second deed of trust	284	17	(55)	4	250
	2,456	(428)	(161)	16	1,883
Commercial and industrial loans (except those secured by real estate)					
Student Loans	356	(20)	-	46	382
Consumer and other	217	37	(1)	-	253
	41	(13)	(3)	1	26
	\$ 5,844	\$ -	\$ (363)	\$ 86	\$ 5,567
Three Months Ended June 30, 2014					
Construction and land development					
Residential	\$ 140	\$ -	\$ -	\$ 1	\$ 141
Commercial	849	-	(79)	-	770
	989	-	(79)	1	911
Commercial real estate					
Owner occupied	1,853	-	(607)	-	1,246

Edgar Filing: Village Bank & Trust Financial Corp. - Form 10-Q

Non-owner occupied	-	-	(38)	23	(15)
Multifamily	17	-	-	-	17
Farmland	409	-	-	-	409
	2,279	-	(645)	23	1,657
Consumer real estate					
Home equity lines	466	-	(243)	2	225
Secured by 1-4 family residential					
First deed of trust	1,755	-	(53)	42	1,744
Second deed of trust	329	-	1	110	440
	2,550	-	(295)	154	2,409
Commercial and industrial loans (except those secured by real estate)	760	-	(136)	53	677
Consumer and other	22	-	(2)	7	27
	\$ 6,600	\$ -	\$ (1,157)	\$ 238	\$ 5,681

	Beginning Balance	Provision for Loan Losses	Charge-offs	Recoveries	Ending Balance
Six Months Ended June 30, 2015					
Construction and land development					
Residential	\$ 34	\$ 57	\$ -	\$ 1	\$ 92
Commercial	202	330	(185)	22	369
	236	387	(185)	23	461
Commercial real estate					
Owner occupied	1,836	(23)	(127)	-	1,686
Non-owner occupied	607	30	-	2	639
Multifamily	78	32	-	-	110
Farmland	130	(3)	-	-	127
	2,651	36	(127)	2	2,562
Consumer real estate					
Home equity lines	469	11	(40)	1	441
Secured by 1-4 family residential					
First deed of trust	1,345	(456)	(66)	369	1,192
Second deed of trust	275	17	(55)	13	250
	2,089	(428)	(161)	383	1,883
Commercial and industrial loans (except those secured by real estate)	506	(20)	(162)	58	382
Student Loans	217	37	(1)	-	253
Consumer and other	30	(12)	(6)	14	26
	\$ 5,729	\$ -	\$ (642)	\$ 480	\$ 5,567

	Beginning Balance	Provision for Loan Losses	Charge-offs	Recoveries	Ending Balance
Six Months Ended June 30, 2014					
Construction and land development					
Residential	\$ 135	\$ 5	\$ -	\$ 1	\$ 141
Commercial	1,274	(421)	(100)	17	770
	1,409	(416)	(100)	18	911
Commercial real estate					
Owner occupied	1,199	653	(608)	-	1,244
Non-owner occupied	670	(470)	(238)	23	(15)
Multifamily	20	(2)	-	-	18
Farmland	337	168	(96)	-	409
	2,226	349	(942)	23	1,656

Edgar Filing: Village Bank & Trust Financial Corp. - Form 10-Q

Consumer real estate						
Home equity lines	424	223	(424)	2		225
Secured by 1-4 family residential						
First deed of trust	1,992	(65)	(238)	55		1,744
Second deed of trust	394	12	(76)	110		440
	2,810	170	(738)	167		2,409
Commercial and industrial loans (except those secured by real estate)	724	45	(168)	77		678
Consumer and other	70	(48)	(5)	10		27
	\$ 7,239	\$ 100	\$ (1,953)	\$ 295		\$ 5,681

	Beginning Balance	Provision for Loan Losses	Charge-offs	Recoveries	Ending Balance
Year Ended December 31, 2014					
Construction and land development					
Residential	\$ 135	\$ (103)	\$ -	\$ 2	\$ 34
Commercial	1,274	(1,016)	(100)	44	202
	1,409	(1,119)	(100)	46	236
Commercial real estate					
Owner occupied	1,199	1,268	(631)	-	1,836
Non-owner occupied	670	430	(518)	25	607
Multifamily	20	58	-	-	78
Farmland	337	(111)	(96)	-	130
	2,226	1,645	(1,245)	25	2,651
Consumer real estate					
Home equity lines	424	506	(476)	15	469
Secured by 1-4 family residential					
First deed of trust	1,992	(442)	(277)	72	1,345
Second deed of trust	394	(223)	(86)	190	275
	2,810	(159)	(839)	277	2,089
Commercial and industrial loans (except those secured by real estate)	724	(447)	(172)	401	506
Student loans	-	217	-	-	217
Consumer and other	70	(37)	(25)	22	30
	\$ 7,239	\$ 100	\$ (2,381)	\$ 771	\$ 5,729

The allowance for loan losses at each of the periods presented includes an amount that could not be identified to individual types of loans referred to as the unallocated portion of the allowance. We recognize the inherent imprecision in estimates of losses due to various uncertainties and variability related to the factors used, and therefore a reasonable range around the estimate of losses is derived and used to ascertain whether the allowance is too high. We concluded that the unallocated portion of the allowance was warranted given the continued higher level of classified assets and was within a reasonable range around the estimate of losses.

Loans were evaluated for impairment as follows for the periods indicated (in thousands):

	Recorded Investment in Loans Allowance				Loans			
	Ending			Loans acquired with deteriorated credit quality	Ending			Loans acquired with deteriorated credit quality
	Balance	Individually	Collectively		Balance	Individually	Collectively	
Period Ended June 30, 2015								
Construction and land development								
Residential	\$35	\$ -	\$ 35	\$ -	\$5,967	\$-	\$ 5,967	\$ -
Commercial	39	25	14	-	25,548	3,293	22,255	-
	74	25	49	-	31,515	3,293	28,222	-
Commercial real estate								
Owner occupied	1,709	652	1,057	-	63,715	9,105	54,610	-
Non-owner occupied	609	38	571	-	38,231	6,586	31,645	-
Multifamily	78	-	78	-	8,989	-	8,989	-
Farmland	130	-	130	-	400	-	400	-
	2,526	690	1,836	-	111,335	15,691	95,644	-
Consumer real estate								
Home equity lines	430	-	430	-	19,533	1,468	18,065	-
Secured by 1-4 family residential								
First deed of trust	1,648	224	1,424	-	59,965	8,296	51,669	-
Second deed of trust	233	153	80	-	7,585	1,319	6,266	-
	2,311	377	1,934	-	87,083	11,083	76,000	-
Commercial and industrial loans (except those secured by real estate)	402	20	382	-	22,118	541	21,577	-
Student loans	216	-	216	-	48,051	-	48,051	-
Consumer and other	38	-	38	-	1,527	30	1,497	-
	\$5,567	\$ 1,112	\$ 4,455	\$ -	\$ 301,629	\$30,638	\$ 270,991	\$ -
Year Ended December 31, 2014								
Construction and land development								
Residential	\$34	\$ -	\$ 34	\$ -	\$4,315	\$164	\$ 4,151	\$ -
Commercial	202	26	176	-	25,152	3,968	21,184	-

Edgar Filing: Village Bank & Trust Financial Corp. - Form 10-Q

	236	26	210	-	29,467	4,132	25,335	-
Commercial real estate								
Owner occupied	1,836	905	931	-	58,804	8,311	50,493	-
Non-owner occupied	607	-	607	-	38,892	6,593	32,299	-
Multifamily	78	-	78	-	11,438	2,322	9,116	-
Farmland	130	-	130	-	434	21	413	-
	2,651	905	1,746	-	109,568	17,247	92,321	-
Consumer real estate								
Home equity lines	469	-	469	-	20,082	800	19,282	-
Secured by 1-4 family residential								
First deed of trust	1,345	200	1,145	-	61,837	7,900	53,937	-