

PUBLIC DISCLOSURE

July 8, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Virginia Bank-Piedmont

05510106

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Lynchburg, Virginia 24502

Federal Reserve Bank of Richmond

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Richmond, Virginia 23261

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

This document is an evaluation of the Community Reinvestment Act (CRA) performance of First Virginia Bank-Piedmont, Lynchburg, Virginia, prepared by the Federal Reserve Bank of Richmond, the institution's supervisory agency.

The evaluation represents the agency's current assessment and rating of the institution's CRA performance based on an examination conducted as of July 8, 1996. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under five performance categories, as detailed in the following section of this evaluation.

ASSIGNMENT OF RATING

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating:

This institution is rated Satisfactory based on the findings presented below.

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

Conclusion/Support

Outreach efforts continue to be strong and demonstrate a willingness by the institution to support local community development. Directors and officers maintain significant relationships with regional housing and economic development organizations, trade associations, and civic groups, thereby providing management valuable insight concerning local credit needs. Furthermore, area political, business, and community leaders and representatives from community organizations are frequently contacted to identify the needs and concerns of the local communities.

Assessment Factor C - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

Conclusion/Support

The board of directors has adopted a formal CRA policy and CRA Statement that describe the bank's commitment and efforts to ascertain and serve the credit needs of its local community. In addition, the directorate has established a formal CRA committee chaired by senior officers. This committee meets regularly to discuss CRA related activities, and their efforts are presented monthly to the directorate.

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

Conclusion/Support

First Virginia Bank-Piedmont advertises loan and deposit products in a variety of media including local newspapers and radio stations. Direct mail campaigns have also been utilized to increase community awareness and product knowledge. Federal Housing Authority (FHA) Title I Home Improvement loans have been promoted in specific solicitation campaigns. Furthermore, brochures explaining bank

products and services are available in several languages including Korean and Spanish. These marketing efforts appear adequate.

Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

Conclusion/Support

The CRA Statement, approved by the board on January 23, 1996, identifies a full range of credit services including consumer residential mortgage, home improvement, residential construction, and commercial loans. These types of credit appear responsive to local credit needs and all types have been extended.

Consumer loans continue to comprise a majority of the bank's total loan portfolio and primarily include automobile financing. From January 1, 1996, through May 31, 1996 the institution made 1,896 consumer loans totaling \$21 million. The bank also monitors loans to low- and moderate-income individuals based on 80% of the median family income for the Metropolitan Statistical Area as appropriate. During 1995, 778 such loans were made totaling \$4.4 million.

The institution provides a variety of financing for real estate related purposes. According to the bank's 1995 Home Mortgage Disclosure Act (HMDA) data, 36 home purchase loans totaling \$994,000, 200 home improvement loans totaling \$1.6 million, and 127 loans totaling \$3.9 million for home refinancing were extended during the year. First Virginia Bank-Piedmont also relies on its affiliate First Virginia Mortgage Company (FVMC) to provide long-term fixed-rate mortgage credit. Applicants for such credit are referred to FVMC which maintains a branch at the bank's main office in Lynchburg. During 1995, FVMC made 45 home purchase loans totaling \$2.9 million and 26 loans totaling \$1.5 million for home refinancing.

While the bank is primarily a consumer lender, loans for various business needs are offered. The institution records credit to businesses with annual revenues of less than \$1 million. During 1995 and the first five months of 1996, the bank made 286 such small business loans totaling \$5.7 million.

Assessment Factor J - The institution's participation in governmentally insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms.

Conclusion/Support

The institution offers secured and unsecured home improvement loans guaranteed through the FHA Title I program. This loan program has less stringent underwriting criteria and requires lower down payments

than traditional financing. From January 1, 1995, through May 31, 1996, First Virginia Bank-Piedmont extended 13 such loans totaling \$148,830. Other Government sponsored credit products are available through FVMC. During 1995, the mortgage company made ten such mortgages totaling \$563,044 that include five Veterans Administration (VA) loans for \$298,178 and five Federal Housing Administration (FHA) loans totaling \$264,866.

The bank is also active in Government guaranteed student loan programs, offering Stafford, Plus, and Edvantage loans. During 1995 through May 1996, 309 such loans were made totaling \$956,896.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

Conclusion/Support

The institution has delineated two local communities. The first area consists of Amherst, Campbell, and the northern portion of Pittsylvania County as well as the City of Lynchburg, Virginia. The second community includes the City of Danville and the contiguous portion of Pittsylvania County. These delineations meet the purpose of the regulation and do not exclude any low- and moderate-income neighborhoods.

Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

Conclusion/Support

The institution documents the geographic distribution of its loan portfolio according to census tracts. An analysis of the loan portfolio indicates that 62% of all loans were extended in census tracts either wholly or partially located within the delineated communities. A review of data compiled by the bank for the Home Mortgage Disclosure Act (HMDA) for 1995 revealed that 88% of the applications received as well as loans originated were within the local communities. Furthermore, according to the data, 17% of the loans made within these communities were extended to residents of low- and moderate-income (L/M) census tracts. This reflects favorably on the bank as loans extended to residents of L/M tracts was 13% for all HMDA reporting institutions in this area. Twenty percent of the population within the delineated communities reside in low- and moderate-income areas.

Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.

Conclusion/Support

The institution operates 11 offices that are accessible to all segments of its delineated communities, and hours of operation are considered convenient. Although no offices have been opened or

closed since the previous evaluation, management has developed a formal policy that outlines the procedures for branch closings as required by the Federal Deposit Insurance Corporation Improvement Act of 1991. The policy encompasses all elements considered responsive to the bank's CRA obligations.

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

Conclusion/Support

Adequate policies and procedures supporting nondiscrimination in all lending and credit activities have been developed. Applications are solicited from all segments of the bank's delineated community, including low- and moderate-income neighborhoods.

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

Conclusion/Support

A review was made of lending policies, forms, procedures, and 64 accepted and 30 denied loan applications for consumer and business credit; and an interview with a loan officer was performed to determine compliance with the fair housing and fair lending laws and regulations. No credit practices inconsistent with the substantive provisions of the fair housing and fair lending laws were identified.

An analysis of the bank's 1995 HMDA data indicates that 26% of the applications received by the institution were from minorities. Additionally, 23% of the home purchase, home improvement, and refinancing loans approved were extended to minority borrowers. According to the 1990 census, minorities comprise 27% of the total population within the local communities. A review of files for accepted white applicants and denied minority applicants reported on the bank's 1995 LAR was conducted to compare lending standards. The review indicated an equal application of credit standards among all applicants.

V. COMMUNITY DEVELOPMENT

Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.

Conclusion/Support

Through its outreach efforts, management is aware of community development activities within its local community and displays a high level of willingness to participate in any such programs.

Community development is primarily supported through direct lending as evidenced by an 86% loan-to-deposit ratio. Total loans currently represent 77% of total assets. The bank has provided a variety of credit services to meet local real estate and small business needs.

In addition to direct lending, community development efforts have also taken the form of investments. The institution was active in the creation of the Lynchburg Community Development Corporation (LCDC) having committed a \$10,000 equity investment during 1995. The LCDC is being created to provide affordable housing to low- and moderate-income residents and financial assistance to area small businesses. The bank has also committed \$250,000 to the Lynchburg Historical Foundation Home Loan Pool Fund to provide funds for the purchase or rehabilitation of owner-occupied single-family homes located in designated historical areas of the City.

All Virginia bank subsidiaries of First Virginia Banks, Inc. have contributed to the Virginia Economic Development Corporation (VEDCORP), a private for-profit entity that invests in small businesses located in certain areas of Virginia. First Virginia Bank-Piedmont's investment is \$20,000. Since the previous evaluation, VEDCORP has invested \$700,000 in a local manufacturer.

Assessment Factor K - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

Conclusion/Support

The institution has supported projects promoting economic growth consistent with its size, financial capacity, and location.

Lynchburg, Virginia, is situated in the Piedmont region of Virginia, which is located in the south central portion of the Commonwealth. The city and the surrounding Counties of Amherst, Bedford, and Campbell are included in the Lynchburg MSA. According to the 1990 Census, the population for this area is 142,199. The current unemployment rate for the region is 3.4%, while the Commonwealth currently has a rate of 4.2%. The local economy is diverse, with manufacturing, agriculture, higher education, retail, and tourism as the major employers.

Danville, Virginia, is located approximately 100 miles south of Lynchburg, borders North Carolina, and is the central city of the Danville MSA. The bank's delineated community includes the city and the surrounding areas of Pittsylvania County, consisting of approximately 109,000 residents. The local economy is primarily dependent on the textile and tobacco industries. Manufacturing industries that provide employment include tool and dye, tires and other rubber products, and glass products. These industries account for a decreasing portion of local employment as retail and service industries have grown in the area. The current jobless rate for the

MSA is 7.5%. The local economy remains relatively stable.

Assessment Factor L - Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

Conclusion/Support

The bank routinely donates financial and technical assistance to various local nonprofit organizations, schools, and community groups. Financial donations to these types of organizations totaled \$19,256 in 1995 and \$4,640 in 1996. Furthermore, senior management, directors, and other bank personnel are actively involved with a variety of organizations including local chamber of commerce offices, community development corporations, and industrial development authorities.

There appear to be no restrictions on the bank's ability to provide credit to the community consistent with its human and financial resources.