

**PUBLIC DISCLOSURE**

July 22, 1996

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First Virginia Bank - Colonial

05512375

P. O. Box 27911

Richmond, Virginia 23261

**Federal Reserve Bank of Richmond**

**P. O. Box 27622**

**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 - Colonial, Richmond, 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 22, 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. Management utilizes two officer call programs as the primary method for determining credit needs. The call programs involve branch officers and other lending personnel who solicit information pertaining to consumer and business credit and match those needs with services provided by the bank or its affiliates. Through the Account Development Call (ADC) Program, existing customers are contacted to discuss bank services and the commercial calls are placed to both existing and potential customers. During 1995 through May 1996, over 5,714 account development calls were made throughout the local community. These efforts include 501 calls on small businesses, 187 calls on nonprofit organizations, and 127 calls to minority owned businesses. Additionally during 1995 and 1996, 414 calls were made by commercial loan officers to both existing and potential customers, including 233 calls to local small businesses, 77 calls to nonprofit organizations, and 37 calls to minority-owned businesses.

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 that provides for a comprehensive CRA program. As part of the program, a CRA Committee, comprised of members of senior management and various rotating branch managers, has been established. The committee meets monthly, is chaired by the bank's president, and is responsible for the development of CRA goals, objectives, training, and the review of CRA activities and outreach efforts. In addition, two local advisory boards, made up of retired board members, meet on a regular basis and aid management with an alternative source for determining specific needs of the community. The board of directors is kept informed of CRA activities through periodic reports from the CRA Committee and the CRA officer. Furthermore, the board has adopted an expanded CRA Statement that includes a description of efforts to ascertain credit needs and various CRA related activities.

## 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

Loan and deposit services are marketed throughout the delineated communities by various means including local newspapers, publications directed toward minority audiences, radio stations, statement stuffers, and direct mail. Ongoing officer call programs serve as a valuable marketing tool as well. Bank and mortgage company personnel have participated in various housing seminars, trade shows, and credit workshops and routinely provide assistance to many schools and community organizations in applying for and understanding credit. In particular, bank personnel participated in Homeownership Fair and Square, sponsored by Housing Opportunities Made Equal (HOME) and the Urban League of Greater Richmond, and the Fifth District Housing Conference, sponsored by a member of Congress. Both of these conferences increased awareness and help develop solutions for affordable housing.

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

As identified in the CRA Statement approved on January 31, 1996, a variety of credit products is offered including residential mortgage, residential construction, home improvement, home equity loans and lines of credit, small business, commercial, consumer, agricultural, and community development loans. The bank is primarily a retail lender with approximately 81% of the loan portfolio consisting of consumer loans. During 1995, 7,222 consumer loans were advanced totaling \$91 million. Of these loans, 5,266 represented home equity (9%), other direct (34%), and indirect (30%) instalment loans and totaled \$74 million. Home equity lines of credit were also actively solicited and resulted in 110 lines of credit (\$3.4 million) made in 1995.

While long-term residential mortgage financing is not offered by the bank, a large portion (41%) of the loan portfolio is secured by one- to four-family dwellings. According to the Home Mortgage Disclosure Act (HMDA) data, the bank extended 415 loans for \$12 million. Specifically, 21 home purchase loans (\$931,000), 194 home improvement loans (\$2.4 million), and 200 refinancings (\$8.4 million) were provided during 1995. Additionally, through a referral program and from direct applications to First Virginia Mortgage Company (FVMC), a bank affiliate, 53 home purchase loans (\$4 million) and 21 refinancings (\$1.4 million) were extended in 1995 to residents within the delineated community.

Conclusion/Support--contd.

Aside from meeting the credit needs of consumers, the institution routinely extends small business and commercial loans to finance business start-up, facility expansion, and working capital. During 1995, commercial loans totaled \$59 million. In particular, 134 loans (\$9.5 million) to small businesses with revenues under \$1 million, 17 loans (\$1 million) to minority-owned businesses, and 24 loans (\$1.5 million) to nonprofit organizations were provided.

In 1996, the bank implemented a data collection system to aid in complying with new CRA-related loan reporting requirements. According to this new system, the bank generated the following loan volumes for the five months ending May 1996. Small business lending is additionally categorized as either to businesses under \$1 million in revenues and those over \$1 million in revenues. Of the 317 business loans reported below, 80% were to small businesses. The other loan categories shown are:

Consumer Instalment - All consumer loans not reported for HMDA.

Direct Community Development - A loan to finance affordable housing for low- and moderate-income individuals, to finance community services targeted to low- and moderate-income individuals, or to revitalize low- and moderate-income communities.

Indirect Community Development - Community development loans originated by a consortium in which the bank participates.

Nonprofit Organization - Loans to churches, fire departments, charitable organizations and other nonprofit groups which do not qualify as community development loans.

Type of CRA Loan	Number	Amount (000's)
Consumer Instalment	2,541	\$32,984
Business	317	\$15,678
Farm	10	\$90
Direct Community Development	1	\$600
Nonprofit Organization	13	\$1,317
<b>TOTALS</b>	<b>2,882</b>	<b>\$50,669</b>

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

Conclusion/Support

FHA Title I Home Improvement loans are available through the institution. This program assists those low- and moderate-income residents who do not have sufficient equity to meet standard lending criteria. Under the program, customers have two options, both with a maximum loan term of ten years: an unsecured loan up to \$7,500, or a secured loan up to \$25,000. From January 1995 to May 1996, the FHA Title I program resulted in the origination of 45 loans for \$623,119.

Customers seeking Government guaranteed or insured mortgage loans are referred to FVMC. Federal Housing Administration (FHA), Veterans Administration (VA), Virginia Housing and Development Authority (VHDA), and Rural Economic Community Development Service (RECD) loans are available. From January 1995 through May 1996, FVMC extended 15 FHA mortgages (\$1 million), 13 VA mortgages (\$1.3 million), and eight VHDA mortgages (\$563,750). Some of these loans were included in the 1995 totals previously given for FVMC.

Government sponsored loans through the Small Business Administration (SBA) are also available. Since the previous evaluation, four SBA loans totaling \$303,000 have been extended. Government guaranteed student loans through Stafford, Plus, and Edvantage loan programs are offered and 408 student loans totaling \$1.2 million were made during the same time period.

**III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES**

Reasonableness of Delineated Community

Conclusion/Support

The local community has been delineated to include the Cities of Richmond, Petersburg, Colonial Heights, and Hopewell and the Counties of Chesterfield, Henrico, Hanover, Prince George, Prince Edward, Amelia, Buckingham, and Cumberland, Virginia. The community also includes portions of the counties of Appomattox, Charlotte, and Fluvanna. This delineation reflects changes made due to a merger since the previous evaluation. The revised delineation appears reasonable, meets the purpose of the regulation, and does not exclude low- and moderate-income neighborhoods.

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

Conclusion/Support

Information is compiled quarterly by census tract or block numbering area concerning the geographic distribution of recently accepted and denied loan applications, as well as deposit accounts. An annual report is also prepared documenting all open loans and deposits, as of year end, regardless of origination date. A periodic analysis of this data is performed by the CRA officer to determine loan penetration within the market area, and the results of this analysis are presented to the board of directors for assessing the reasonableness of the bank's delineation. A review of the data indicates that 84% of the new loans, as of December 1995, were to borrowers residing within the delineated community.

The institution's 1995 HMDA data were also reviewed and showed that 89% of reported mortgage originations were from within the MSA portion of the bank's communities. These analyses, along with a review of recently accepted and denied applications conducted during the examination, demonstrated a reasonable penetration of lending into all segments of the delineated community, including those communities which fell outside the MSA.

The following tables portray lending by the bank in low- and moderate-income census tracts within the MSA portion of the delineated community. The first table represents lending by the bank as compared to the aggregate HMDA lending in low- and moderate-income census tracts. Of the 166 home improvement loans originated in this market, 20 were in low- and moderate-income tracts. Thirty-three of 205 purchases and refinancings were from such tracts. The second table represents the market share of the institution's home improvement lending in low- and moderate-income census tracts as compared to the middle- and upper-income census tracts. The bank's market share for other reported loans was not analyzed since its level of lending in this market is small compared to aggregate lending. Low- and moderate-income tracts are identified as L/M Tracts; Middle- and upper-income are identified as NonL/M Tracts.

HMDA Loans in Low- and Moderate-Income Census Tracts

<b>Home Improvement Loans</b>	<b>1995</b>
FVB - Colonial	12.0%
Aggregate	20.2%
<b>Purchases and Refinancings</b>	<b>1995</b>
FVB - Colonial	16.0%
Aggregate	12.8%

HMDA Loans by Type of Census Tract - Market Share

<b>Home Improvement Loans</b>	<b>1995</b>
L/M Tracts	4.0%
NonL/M Tracts	7.5%

As illustrated, the bank's lending performance in low- and moderate-income tracts was lower for home improvement loans but higher for purchases and refinancings when compared to the aggregate. Market share was somewhat lower in low- and moderate-income census tracts compared to higher-income tracts. Sixty-five census tracts in the MSA portion of the delineation are considered low- and moderate-income. Approximately 28% of the population and 19.1% of the owner-occupied units in the MSA portion of the bank's market are within such tracts. Due to the small volume of reported loans in this MSA, FVMC's HMDA data was not useful in analyzing geographic distribution within the bank's delineated community.

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

Conclusion/Support

The institution currently has 38 offices. During the second half of 1995, the bank acquired additional branch locations from its merger with First Virginia Bank - Southside and the purchase of Citizens Federal Bank. Each office is reasonably accessible to all segments of its community and the hours of operation are convenient. No branches have been closed, but two branches have been consolidated since the previous evaluation. In December 1995, the Womensbank branch office was consolidated with the Main Street office and then in January 1996 the Franklin Street office was also consolidated with the Main Street branch, due to the close proximity of these branches. A formal policy has been adopted that addresses branch closing procedures as required by the Federal Deposit Insurance Corporation Improvement Act. This policy incorporates all aspects considered responsive to the bank's CRA obligations by the Board of Governors of the Federal Reserve System.

**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, procedures, and training have been developed supporting nondiscrimination in lending and credit activities. Fair lending efforts undertaken by senior management include training for all bank employees regarding fair lending laws and regulations and a second party review is conducted by the Second Review Committee for all HMDA reportable loan denials, as well as home equity line of credit denials. Furthermore, applications are solicited from all segments of the 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 55 accepted and 35 denied loan applications for consumer and business credit; and three interviews with lending officers were conducted to determine compliance with fair lending laws and regulations. A review of the 1995 HMDA data indicates that 28% of the applications received by the bank were from minority applicants within the MSA. This percentage is consistent with the 32% minority population within the MSA.

Files for specific denied minority applicants corresponding to the bank's HMDA Loan Application register were compared with the files of accepted white applicants. Analysis of the matched pairs (a total of 40 files) evidenced consistent application of credit standards among all applicants.

The institution is in compliance with the substantive provisions of antidiscrimination laws and regulations. One deficiency involving the Home Mortgage Disclosure Act's Regulation C was identified, but it did not affect the accuracy of the reported data.

**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 generally aware of community development activities within the local community and is willing to participate in any such programs. Its participation in various projects has been in the form of direct loans, donations, and technical assistance.

The institution primarily supports community development through direct lending to local businesses, developers, and individuals. As previously mentioned, the bank is an active commercial and small business lender with approximately \$59 million extended in financing for commercial purposes during 1995. Some of the loans recently extended to local businesses include:

An SBA loan to fund the start-up of an accounting practice that specializes in insurance loss and forensic accounting.

An SBA loan to a minority-owned business to purchase equipment and provide working capital.

Commercial mortgage financing in conjunction with the SBA, with supplemental financing from a local development company, for the purchase of an 11,000-square-foot facility and the creation of five additional positions.

Conclusion/Support--contd.

Another SBA loan, extended to a minority-owned dry cleaning business located within Henrico County, to purchase a new dry cleaning unit.

Construction financing for the renovation of commercial office space. This renovation project will allow a minority-owned law firm to relocate to the Broad Street area.

A loan to purchase a building for the renovation and construction of additional apartments.

In addition to direct loans, management is involved with the Virginia Economic Development Corporation (VEDCORP) and the Virginia Community Development Corporation (VCDC). As an equity investor in VEDCORP, the bank has been able to provide aid, in the form of loans, equity investments, or technical assistance, to rural businesses throughout the Commonwealth of Virginia. Furthermore, the bank's continued commitment to the Housing Equity Fund of Virginia has helped the VCDC to complete its second project, the South Richmond SRO. This project is a 39-unit dwelling, rehabilitated for Single Room Occupancy (SRO) housing to benefit low-income persons. It was completed in July 1996 and a number of the units have already been occupied.

The bank has also concentrated its efforts on providing funding to local churches. Currently, \$6.2 million in commitments are outstanding to 18 area churches. In particular, loans were recently extended to a Methodist church to construct a new education facility (\$1.5 million), to a church in Mechanicsville to construct a new sanctuary (\$2.3 million), and to a minority church for an addition (\$20,000).

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 displays an adequate level of participation in local community projects that promote revitalization and growth consistent with its size, financial capacity, and current local conditions. The bank's 38 branches primarily serve the Cities of Richmond, Petersburg, Colonial Heights, and Hopewell and the Counties of Chesterfield, Henrico, Hanover, Prince George, Prince Edward, Amelia, Buckingham, and Cumberland, Virginia. The population in this area is approximately 850,000. The economy is well diversified with a mixture manufacturing, service industries, and Government. Some of the major industries include synthetic fiber production, metal fabrication, tobacco processing, pharmaceuticals, chemicals, banking, and insurance. Additional employment opportunities are provided by the Federal, State, and local governments. Unemployment rates vary widely throughout the region, from lows of 2.4% in Hanover County and 3.4% in Cumberland County to highs of 5.8% in the City of Richmond and 8.8% in the City of Petersburg.

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

Technical assistance, volunteer activities, and charitable contributions further support community development. Bank personnel have made numerous presentations to local schools and community organizations on credit related products and procedures. In March 1995, the bank participated in Bank Day, a statewide program sponsored by the Virginia Bankers Association, that allowed students to spend the day in a branch and learn about its operation and services. Additionally contributions have been made to numerous charities, nonprofit organizations, and schools.

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