

**PUBLIC DISCLOSURE**

July 22, 1996

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First Virginia Bank - South Hill

05512640

P. O. Box 30

South Hill, Virginia 23970-0030

**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 - South Hill, South Hill, 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 is an integral component of the CRA program, and the bank has undertaken various activities to determine the credit needs of its community. Primarily, outreach is conducted through a formal call program involving branch managers and other lending personnel. Routine calls are made to existing and potential new customers and businesses as a means of gathering information about local credit needs and soliciting new business. During 1995, and the first part of 1996, approximately 304 officer calls were performed throughout the local community. The types of organizations and individuals contacted include: local public officials, Federal and State Government agencies, community associations, redevelopment, and housing authorities, community development associations, chambers of commerce, churches, economic/industrial development organizations, realtors, and civic organizations. These contacts are considered to be valuable for ascertaining area credit needs and promoting bank services.

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 chaired by the bank's president, has been established. The committee meets monthly and is responsible for the development of CRA goals, objectives, training, and the review of CRA activities and outreach efforts. The board of directors is kept informed of CRA activities through periodic reports from the CRA committee. 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 by various means including local newspapers, radio stations, statement stuffers, and direct mail. In particular, Federal Housing Authority (FHA) Title I Home Improvement loans have been promoted in specific solicitation campaigns. In particular, Federal Housing Authority (FHA) Title I Home Improvement loans have been promoted in specific solicitation campaigns. Bank personnel provide assistance to many schools and community organizations in applying for and understanding credit. Furthermore, the ongoing officer call program serves as a valuable marketing tool. These marketing efforts are considered adequate and reach all segments of the delineated community.

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 adopted by the board of directors on January 17, 1996, a variety of credit products is offered including residential mortgage, home improvement, home construction, commercial, small business, consumer, and agricultural loans. These types of credit appear responsive to local credit needs and all types have been extended.

Retail lending continues to be the bank's focus with automobile financing representing the majority of consumer loans. During 1995 and the first six months of 1996, 2,815 consumer loans were advanced totaling \$36 million. Of these loans, 1,948 (\$28 million) represented indirect automobile loans, 60 (\$3 million) were mortgage loans for various purposes, and 62 (\$1.5 million) were home equity loans. Sixty percent of the home equity loans were provided for mobile home financing. Loans to low- and moderate-income borrowers are also monitored. Credit applicants with incomes of less than 80% of the median family income for the county are considered to be low and moderate. From January 1995 through May 1996, 382 loans totaling \$1 million were extended to low- and moderate-income applicants within the delineated community. Small dollar loans of less than \$1,500 also assist low- and moderate-income borrowers. During the same 17 month period, the bank made 373 such loans.

### Conclusion/Support--contd.

In addition to meeting the credit needs of consumers, the institution routinely extends small business and commercial loans to finance start-up costs, facility expansion, and working capital needs. During 1995 through June 1996, 770 commercial loans totaling \$11 million were provided to local businesses.

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 than traditional financing and requires little or no equity in the property to be improved. From January 1, 1995, through June 30, 1996, the bank extended seven FHA Title I loans totaling \$57,479.

Other long-term and Government sponsored mortgage products are available through First Virginia Mortgage Company (FVMC), a bank affiliate. Such products include loans through the Federal Housing Administration (FHA), Veterans Administration (VA), and the Virginia Housing Development Authority (VHDA). However, given the locations of the two nearest FVMC offices, one in Lynchburg and the other in Richmond, customer referrals for Government sponsored lending in the bank's area have traditionally been limited.

Government guaranteed student loans through the Stafford, Plus, and Edvantage programs are also available. During 1995, 16 student loans totaling \$60,311 were extended.

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

Reasonableness of Delineated Community

Conclusion/Support

The local community has been delineated as the eastern portion of Mecklenburg County, Virginia. This 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 concerning the geographic distribution of accepted and denied loan applications by zip codes and block numbering areas (BNAs).

Conclusion/Support--contd.

A periodic analysis of this information is performed by the CRA officer to determine loan penetration within the area, and the results of this analysis are presented to the board for assessing the reasonableness of the bank's delineation.

A review of the bank's loan data was performed. These data revealed that of the new direct loans originated in 1995 and 1996, 80% and 79%, respectively, were to borrowers residing within the delineated community. When direct lending is combined with indirect lending, however, the penetration rates of loans to applicants located inside the community declines substantially. For 1995, 41%, and during the first six months of 1996, 35% of new loans were extended within the

local area. This is a result of the large number of dealerships located outside the bank's delineation (12 of 17), as well as indirect automobile loans representing 55% of all loans originated during 1995 and 1996. Considering these recent lending patterns and dealer locations, the bank may want to consider redefining or expanding its delineation to include more of the indirect lending activity.

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

Conclusion/Support

The bank's three offices are accessible to all segments of the community and the hours of operation are considered convenient. No branches have been opened or closed since the previous evaluation. A formal policy has been adopted, however, that addresses branch closing procedures as required by the Federal Deposit Insurance Corporation Improvement Act of 1991.

**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 formal training programs supporting nondiscrimination in all lending and credit activities have been developed. 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 33 accepted and 40 denied loan applications for consumer and business credit; and a loan officer interview was conducted during the evaluation to determine compliance with fair lending laws and regulations. The bank maintains a second review process for all denied loan applications for all credit types. The review of files demonstrated an equal application of credit standards among all applicants. Violations of the technical requirements of the Equal Credit Opportunity Act's Regulation B were noted. However, no credit practices inconsistent with the substantive provisions of the fair housing and fair lending laws were identified.

**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.

Community development is primarily supported through direct lending as evidenced by an 80% loan-to-deposit ratio. As previously mentioned, the bank has provided a variety of credit services to meet local real estate, small business, and individual needs. Some of the loans recently extended for community development purposes include:

A \$3 million loan was extended to the Town of South Hill in connection with the Commonwealth of Virginia to provide 18 miles of water lines to two State prisons.

A \$1 million commitment was granted to Community Memorial Healthcenter in October 1995. The proceeds of the loan were used to renovate an existing building into office space, classrooms, and an outpatient dialysis center.

Approximately \$148,700 in financing was extended to more than eight local farmers to purchase cattle, equipment, and farmland.

A \$50,000 loan to an area doctor financed the expansion of his practice.

A \$75,000 credit extension was made to a local publishing company for operating expenses.

Conclusion/Support--contd.

Nine loans totaling \$196,730 were provided to a local wood manufacturer for the purchase of trucks.

A \$120,000 loan to purchase a building and equipment to start an auto repair and oil change business was provided.

Numerous credit extensions totaling approximately \$55,652 were extended to area churches for various purposes including improvements, remodeling, and construction.

In addition to direct loans, management has continued its involvement with the Virginia Economic Development Corporation (VEDCORP). As an equity investor in VEDCORP, the bank has been able to provide aid in the form of loans, equity investments, and technical assistance to rural businesses throughout the Commonwealth of Virginia.

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 supports projects promoting economic growth consistent with its size, financial capacity, and location. The bank's delineated area includes the eastern portion of Mecklenburg County, with the Town of South Hill located in the northeastern part of the delineation. Mecklenburg County is primarily rural and has a total population of 29,241 of which 39% represents minorities. Historically, the local economy has been dependent on agriculture, with an emphasis in tobacco farming. Since 1970, however, numerous manufacturing facilities have located in the town, causing non-agricultural employment to surpass agricultural employment. Unemployment for the county as of June 1996, was 10.1%. Currently, the economy is stable with a diverse mix of industry providing employment opportunities including textiles, agriculture, forestry, retail, and health care.

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. Additionally, contributions have been made to numerous charities, nonprofit organizations, and schools.

Conclusion/Support--contd.

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.