

PUBLIC DISCLOSURE

July 8, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Virginia Bank-Clinch Valley

05512325

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Federal Reserve Bank of Richmond

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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-Clinch Valley, Richlands, 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

The bank's primary method of determining the credit needs of the community is a formal call program. Since the previous evaluation, 394 business development calls have been conducted by the bank's officers and branch managers. These calls are well documented and represent contacts with diverse sections of the community. Through the call program, management maintains ongoing dialogues with various officials from local government, community development groups, and charitable organizations. These outreach efforts are considered a valuable means of ascertaining community 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

A formal CRA policy has been adopted by the board of directors which provides for an outreach program, a periodic analysis of the distribution of lending, a marketing plan, documentation of CRA activities, and a CRA Officer and committee. The committee meets monthly to discuss and develop CRA activities and contacts. The CRA committee also reports monthly to the board of directors. The minutes from the directors' meetings reflect periodic discussion of CRA matters.

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

Various institutional and loan product advertisements are placed in the local newspapers and broadcast on the local radio station. Additionally, brochures promoting a wide range of products are displayed in each of the branch offices. The bank's marketing strategy is well documented and considered adequate given the institution's resources, size, and location.

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 of directors on January 16, 1996, identifies a full range of credit services including consumer, residential mortgage, home improvement, and commercial loans. These credit products appear responsive to the needs of the community and all types have been extended.

The bank is an active lender. The majority of the loan portfolio is comprised of consumer and real estate loans. As of March 31, 1996, loans to individuals and loans secured by one- to four-family residential properties comprise 94% of the portfolio. During 1995, 2,429 consumer loans totaling \$28.1 million were generated. A large portion of these loans were for the purchase of an automobile. Small dollar loans (\$1,000 or less), which often benefit low- or moderate-income individuals, are also offered. Since the previous evaluation, 538 small dollar loans totaling \$402,400 have been extended. Furthermore, 297 consumer loans totaling \$1.4 million have been made to low- and moderate-income individuals since the previous evaluation.

Real estate secured loans for a variety of purposes including home improvement and home purchase loans are also available. Since the previous evaluation, the bank has funded 169 real estate secured loans exceeding \$8.1 million.

Long-term conventional and Government sponsored mortgage loans are provided through an affiliate mortgage company, First Virginia Mortgage Company (FVMC), located in Blountville, Tennessee. During 1995, \$103,000 in mortgage credit was extended by FVMC to residents of the institution's delineated community.

Although the bank's loan portfolio is comprised primarily of consumer loans, the bank extends commercial loans for working capital, business start up, and expansion purposes. Since the previous evaluation, 244 small business loans totaling \$5.6 million have been provided.

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

Conclusion/Support

Since the previous evaluation, six FHA Title I home improvement loans have been extended totaling \$82,717. This loan program has less stringent underwriting criteria than traditional financing and requires little or no equity in the property to be improved. As previously mentioned, the bank also offers various Government sponsored loan programs through the bank's affiliation with FVMC.

Conclusion/Support--contd.

Small Business Administration loans are offered by the bank. Although none have been funded since the previous evaluation, the bank has generally provided for these loan requests on a direct basis.

Stafford and Plus Government sponsored student loans are offered by the institution. Since April 1995, 53 student loans have been funded totaling \$159,980.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

Conclusion/Support

The local community has been delineated as the Tazewell County. This delineation appears reasonable, meets the purpose of the regulation, and does not exclude low- and moderate-income areas.

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

Conclusion/Support

The geographic distribution of all accepted and denied loan applications is recorded by block numbering areas and zip codes. Management uses a spreadsheet to track lending activity for all portions of the delineated community. The geographic data from 1995 revealed that 40% of the approved loan applications came from residents of the delineated community. During 1995, indirect automobile lending accounted for 45% of the total loans originated. Currently, the bank has a relationship with 23 area automobile dealerships. Of these 23 dealerships, only nine are located in Tazewell County. A large portion of the loan applications received from outside the delineated community appear to be from indirect lending relationships. A review of loans recently extended on a direct basis indicated that 71% of the loans were to residents of the delineated community.

The bank's analysis and a review of recently accepted and denied applications conducted during the examination demonstrated a reasonable penetration into all segments of the community.

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

Conclusion/Support

The institution's three offices are reasonably accessible to all segments of its community, and hours of operation are considered convenient. A branch closing policy has been adopted that meets the requirements of the Federal Deposit Insurance Corporation Improvement Act of 1991. This policy incorporates many of the elements that the Board of Governors of the Federal Reserve System considers responsive to the bank's CRA obligations. The institution has neither opened nor closed any offices since the previous evaluation.

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 activities have been developed. Part of these procedures include a secondary loan review where, prior to customer notification, all denied real estate applications are reviewed a second time to insure a consistent application of loan policy and practice. 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 conducted of written loan policies, forms, 62 accepted and 30 denied loan applications; and a loan officer interview was performed to determine compliance with antidiscrimination laws and regulations. The bank is in compliance with the substantive provisions of antidiscrimination laws and regulations. The review of loan files demonstrated 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 generally aware of community development programs within the delineated community and displays a willingness to participate in such activities.

The institution primarily supports community development through direct lending as evidenced by a loan-to-deposit ratio of 85%. As previously mentioned, 244 small business loans have been extended since the previous evaluation for a variety of small business needs. Some of the loans recently extended for community development purposes include the following:

Two loans to a business for expansion purposes totaling \$65,000 that created six new jobs.

\$500,000 credit line to a local municipality for the expansion of its services.

Six loans to local churches totaling \$296,782 for facility expansions.

An \$80,000 business start up loan that created 30 new jobs.

Conclusion/Support--contd.

A \$39,000 loan to a local builder to construct a house for low- or moderate-income residents.

Furthermore, the bank continues to have an investment in the Virginia Economic Development Corporation (VEDCORP). This organization promotes economic development in the rural areas of the Commonwealth through venture capital.

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. First Virginia Bank - Clinch Valley is located in and serves Tazewell County. Located in the southwest portion of the Commonwealth along the West Virginia border, the rural county has a population of 45,960. Although service, agriculture, and manufacturing industries provide employment, the local economy has historically relied heavily on the coal mining industry. Increased automation and recent labor disputes have severely reduced coal mining operations and employment in the area. The limited employment opportunities and few new industries are reflected in the persistently high unemployment rate. At 9.9%, the unemployment rate of the county is substantially higher than the Commonwealth's rate of 4.8%.

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

In addition to direct lending, the bank routinely donates financial and technical assistance to various local nonprofit organizations, schools, and community groups. Since the previous examination, \$8,000 of charitable contributions have been made.

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