

PUBLIC DISCLOSURE

July 8, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Virginia Bank-Blue Ridge

05513106

125 North Central Avenue

Staunton, Virginia

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-Blue Ridge, Staunton, 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 ascertains community credit needs through contact with a wide range of organizations and individuals. Primarily, outreach is conducted through a formal officer call program. Under this program, all bank officers are required to make a specific number of calls each quarter. In addition, directors and officers maintain significant relationships with regional housing and economic development organizations, trade associations, and civic groups. Area political, business, and community leaders and organizations are also frequently contacted. Outreach efforts are ongoing and demonstrate a willingness by the institution to support community development efforts and meet local credit needs.

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 program and an expanded CRA Statement that describe the bank's commitment and efforts to ascertain and serve the credit needs of its local community. To direct the CRA program, the directorate has established formal CRA committees chaired by senior officers in various regions of the bank's trade area. These committees meet regularly to discuss CRA related activities, and the CRA Officer presents their efforts 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-Blue Ridge 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. In particular, Federal Housing Authority (FHA) Title I Home Improvement loans have been promoted in such campaigns. Brochures promoting bank products and services are also available in all branch lobbies. These brochures are printed in several languages. 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

First Virginia Bank-Blue Ridge was created on June 14, 1996, as a result of the merger of First Virginia Bank-Shenandoah Valley and First Virginia Bank-Central. Due to the timing of the merger, the financial information provided in this report is based on data received from the two separate institutions as of March 31, 1996. The data on lending activity has been combined to provide comprehensive figures when possible.

The CRA Statement for First Virginia Bank-Blue Ridge was approved by the board on June 14, 1996, and 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 comprise a majority of the bank's loan portfolio. A large portion of these loans was for the purchase of automobiles. Indirect automobile loans are solicited through the bank's association with 102 dealerships. During 1995 and the first five months of 1996, the bank extended 8,338 indirect loans totaling over \$121 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 (MSA) or county as appropriate. During 1995, 3,804 such loans were made totaling \$23.1 million.

First Virginia Bank-Blue Ridge provides a variety of financing for real estate related purposes. According to the 1995 Home Mortgage Disclosure Act (HMDA) data, 104 home purchase loans totaling \$4.2 million, 319 home improvement loans totaling \$3.7 million, and 245 loans totaling \$9.5 million for home refinancing were extended. Mobile home loans, which provide affordable housing to low- and moderate-income residents, are also extended. From January 1, 1995, through June 30, 1996, the bank made 63 mobile home loans totaling \$1.3 million.

Conclusion/Support--contd.

The bank 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 three branches within the bank's delineated community. During 1995 and the first five months of 1996, FVMC made 217 conventional home purchase loans totaling \$17.3 million within the bank's local community.

While the bank is primarily a consumer lender, loans for various business purposes are also available. During 1995, 510 business purpose loans totaling \$8.7 million to companies with annual revenues of less than \$1 million were made.

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 March 30, 1996, First Virginia Bank-Shenandoah Valley extended 17 such loans totaling \$216,000. During 1995 and the first five months of 1996, First Virginia Bank-Central originated eight of these types of credit for \$137,300.

Other Government sponsored credit products are available through FVMC. During the period between January 1, 1995 and May 31, 1996, FVMC extended 37 Government sponsored mortgages within the bank's delineated community totaling \$2.8 million. These loans include 17 Veterans Administration (VA) loans for \$1.5 million and 20 Federal Housing Administration (FHA) loans totaling \$1.4 million.

The bank is also active in Government guaranteed student loan programs, offering Stafford, Plus, and Edvantage loans. During 1995, the bank extended Government sponsored student loans totaling over \$1.3 million.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

Conclusion/Support

The bank's local community has been delineated to include the Counties of Warren, Frederick, Shenandoah, Rockingham, Augusta, Albemarle, Orange, and Culpeper, as well as the Cities of Charlottesville, Winchester, Harrisonburg, Staunton, and Waynesboro, Virginia. The area includes portions of the Charlottesville and Washington, D. C. Metropolitan Statistical Areas. This delineation appears reasonable, meets the purpose of the regulation, and does 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 originations according to census tract. An analysis of this activity indicates that 77% of the loans and 74% of the dollar amount of credit extensions made during 1995 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.

A review of the 1995 HMDA data for First Virginia Bank-Shenandoah Valley and First Virginia Bank-Central was conducted during the examination. The majority (81% of the reported loan activity for the combined institutions is outside the Metropolitan Statistical Area (MSA) portions of the delineated community. Therefore, most of the information reported by the institutions could not be analyzed by geographic location. Of the 19% of loan activity reported on the 1995 Loan application Registers for both institutions, 828 of the 939 applications (89%) were received from residents within the bank's delineated community.

A further analysis of the loan originations within the MSA portions of the community indicates that 44% of the credit extensions were made to residents of low- and moderate-income census tracts compared to an aggregate figure of 41% for loans made in this area by all HMDA reporting institutions. Forty-nine percent of the population within the MSA portions of the bank's delineated community reside in low- and moderate-income census tracts.

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

Conclusion/Support

The institution operates 30 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 80 accepted and 61 denied loan applications for consumer and business credit; and three interviews with loan officers were performed to determine compliance with the fair housing and fair lending laws and regulations. The institution also performs a second review process for all denied loan applications for all credit types. 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 approximately 7% of the applications received by the institution were from minorities. Additionally, 8% of the home purchase, home improvement, and refinancing loans approved were extended to minority borrowers. According to the 1990 census, minorities comprise 9% of the total population within the local delineated community. 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 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 aware of community development activities within its local community and displays a high level of willingness to participate in any such programs. As previously mentioned, the financial information provided in this report is based on data received from the two separate institutions as of March 31, 1996.

Community development is primarily supported through direct lending as evidenced by a combined loan-to-deposit ratio of 81%. Total loans currently represent 74% of total assets for the two institutions. The bank has provided a variety of credit services to meet local real estate and small business needs. Some of the loans recently extended for community development purposes include:

Conclusion/Support--contd.

A \$42,357 loan provided to a local trade association to refinance an office building.

A \$25,000 loan to an area school for operating expenses.

Credit extensions totaling approximately \$661,845 to area churches for a variety of purposes including improvements, remodeling, and construction.

In addition to direct lending, community development efforts have also taken the form of investments and commitments. The bank has renewed its outstanding commitments to various revitalization programs. These programs include the Harrisonburg Downtown Revitalization Committee (HDRC), the Staunton/Waynesboro/Augusta County Development Corporation, and the Staunton Enterprise Zone Loan Program. Since the previous evaluation, the bank has extended a \$56,000 loan for the renovation of a commercial property in downtown Harrisonburg under its loan pool commitment with the HDRC.

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-Blue Ridge's investment is \$60,000. Since the previous evaluation, VEDCORP has invested \$400,000 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. The bank's delineated community is primarily rural and includes the Shenandoah Valley area in the northwestern part of the Commonwealth and the Charlottesville area in the central part of Virginia. As previously mentioned, the area includes portions of the Charlottesville and Washington, D. C. Metropolitan Statistical Areas. The local community has a population of 468,917 which represents approximately 8% of the Statewide population as of the 1990 census. The local economies are diversified among manufacturing, education, agriculture, tourism, poultry, and antique trading. Current unemployment rates range from a low of 2% in Albemarle County and the City of Harrisonburg to a high of 5.2% in Orange County. The jobless rate for the Commonwealth of Virginia is currently 4.2%.

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 totaled \$22,548 in 1995 to these types of organizations. Furthermore, senior management, directors, and other bank personnel are involved in 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.