

PUBLIC DISCLOSURE

July 8, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Virginia Bank - Franklin County

05512500

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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 - Franklin County, Rocky Mount, 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, as well as representatives from various nonprofit organizations, are frequently contacted to identify the needs and concerns of the local community.

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 its 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 - Franklin County 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 25, 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. As of May 31, 1996, the institution had 2,305 indirect automobile loans outstanding totaling \$22 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 or county as appropriate. From January 1995 through May 1996, 1,994 such loans were made totaling \$13.4 million.

The institution provides a variety of financing for real estate related purposes. A review of bank records indicates that 44 home purchase loans totaling \$1.7 million, 55 home improvement loans totaling \$1.6 million, and 22 residential construction loans totaling \$2.7 million were extended during 1995 and the first half of 1996. First Virginia Bank - Franklin County 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 office in Roanoke, Virginia. Loan officers from the mortgage company meet with area residents by appointment at various bank branches. From January 1995 through March 1996, 20 real estate loans totaling \$1.6 million were made to residents of Franklin County by FVMC.

Although the bank is primarily a consumer lender, loans for various business needs are also available. The institution records credit to businesses with annual revenues of less than \$1 million. From January 1995 through May 1996, the bank extended 204 small business loans totaling \$5 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

Secured and unsecured home improvement loans insured through the FHA Title I program are offered. This loan program has less stringent underwriting criteria and requires lower down payments than traditional financing. First Virginia Bank - Franklin County has extended two such loans totaling \$22,000 since the previous evaluation.

Conclusion/Support--contd.

Other Government sponsored credit products are available through FVMC and include Veterans Administration (VA), Federal Housing Administration (FHA), Rural Housing and Community Development Service (RHCDS - formerly Farmers Home Administration), and Virginia Housing Development Authority (VHDA) loans. During 1995 and the first quarter of 1996, the mortgage company made one FHA loan for \$57,000 within the bank's local community. In addition, two loans totaling \$190,000 have been financed under the Agricultural Guaranteed Loan Program through RHCDS. This program provides a 90% guarantee on loans for the purchase or operation of qualified farms.

Business loans guaranteed by the Small Business Administration (SBA) are offered by the bank. Since the previous evaluation, three SBA loans have been funded totaling \$129,925.

First Virginia Bank - Franklin County participates in the following guaranteed student loan programs: Stafford, Parental Loans for Undergraduate Students (PLUS), and Edvantage. These programs provide market rate and subsidized educational loans with a variety of repayment and deferment options. Since January 1995, 20 student loans have been originated totaling \$65,965.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

Conclusion/Support

The local community has been delineated as Franklin County. This delineation 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 bank documents the geographic distribution of its loan portfolio according to block numbering area (BNA). This data is reviewed monthly by the CRA Committee and annually by the directorate. The institution has recorded loan activity in all nine BNA's located within Franklin County. An analysis of the loan portfolio as of December 31, 1995 indicates that 69% of all outstanding loans were extended inside the delineated community. During 1995, the bank received a total of 3,671 loan applications, of which 2,750 (75%) were from residents of the local community. The bank's analysis, as well as a review of recently accepted and denied applications conducted during the examination, revealed 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 operates six 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 48 accepted and 32 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. In addition, the institution performs a second review of denied applications for all credit types. No credit practices inconsistent with the substantive provisions of the fair housing and fair lending laws were identified. The reviews 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 is willing to participate in any such programs. Its participation in various projects has been in the form of direct loans, investments, donations, and technical assistance.

Conclusion/Support--contd.

Community development is primarily supported through direct lending as evidenced by an 82% loan-to-deposit ratio. Total loans currently represent 74% of total assets. As mentioned previously, 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 taken the form of local investments. The institution has committed \$100,000 to the Franklin County Microbusiness Enterprise Loan Program for the establishment of a loan pool to promote small business development in the area. Through this affiliation, the bank was able to make a \$10,000 loan to a local resident to start a small business in the county.

The institution has also committed \$250,000 to the Town of Rocky Mount Enterprise Zone Loan Program. This organization exists to stimulate public and private investment and promote new business growth in the Central Business District corridor of Rocky Mount. The local Office of Planning and Zoning administers this program and offers financial planning and tax assistance to interested businesses. First Virginia Bank - Franklin County has agreed to participate in the program as a below-market rate loan provider.

A senior officer of the bank serves as President of the Community Partnership for Revitalization (CPR) organization. This organization is a partnership comprised of members of the local governments of the Town of Rocky Mount and Franklin County. The goal of CPR is to enhance community development by revitalizing portions of the Town of Rocky Mount. CPR also administers the State-sponsored Main Street Program, established to promote economic development in downtown business districts throughout Virginia. As part of this program, Rocky Mount was selected by the Commonwealth to be a Main Street Community. Current projects include the construction of a local farmer's market and the renovation of the train depot into a welcome center. The bank also makes an annual donation to this organization.

The bank provides financing for affordable housing through its affiliation with Support To Eliminate Poverty (STEP). STEP manages a loan program in conjunction with the Virginia Department of Housing and Community Development designed to provide affordable housing credit to low- and moderate-income residents. Under the program, qualified applicants who currently reside in substandard housing will receive a loan from the bank for the demolition of their current residence and the construction of a new modular home on their existing lot. This financing is supplemented with a loan from STEP which, if the homeowner resides in the new residence for five or more years, is forgiven. Since the previous evaluation, the bank has extended one such loan totaling \$24,000, and a second loan has recently been approved. In addition, a bank official serves on the board of directors for the organization.

Conclusion/Support--contd.

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 - Franklin County's investment is \$10,000.

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 has supported projects promoting economic growth consistent with its size, financial capacity, and location. Rocky Mount, Virginia, is located in the south central portion of the Commonwealth approximately 25 miles south of Roanoke, Virginia, and is the county seat of Franklin County. According to the 1990 census, the population for this area is 39,549. The current unemployment rate for the county is 4.3%, which is slightly lower than that of the Commonwealth at 4.5%. The local economy is diverse, yet primarily dependant upon small manufacturing companies and agriculture. Major industries in the county include processed lumber, furniture, textiles, tobacco, and dairy products. Additional employment opportunities are provided by education and health care. Many residents also commute to Roanoke, Virginia, for employment due to its proximity to rural Franklin County.

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 \$9,117 in 1995 and \$3,750 to date in 1996. Furthermore, senior management, directors, and other bank personnel are actively involved with a variety of organizations including the local chamber of commerce office, local housing organizations, and other community development corporations and industrial development authorities. Specifically, a senior officer currently serves on the directorate for a local private training center that provides vocational and social skills to developmentally challenged residents. In addition, several bank personnel serve on the local chapter of Habitat for Humanity.

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