

PUBLIC DISCLOSURE

July 8, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Virginia Bank
05510944
6400 Arlington Boulevard
Falls Church, Virginia 22042

**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, Falls Church, 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

Ascertainment efforts continue to be strong and demonstrate a willingness by the institution to identify community credit needs and community development opportunities. Various methods are employed to determine local credit needs, including a formalized officer call program that is closely monitored by senior management. The program requires branch managers and commercial division officers to identify area concerns and needs by contacting local political, business, and community leaders and organizations on a regular basis. In 1995, branch and commercial division personnel made over 4,750 calls to local individuals and businesses with an emphasis on community development and small business needs.

Advisory boards located in Fredericksburg and the Northern Neck region are also utilized to assist in the identification of banking needs in these areas. Furthermore, directors and officers maintain significant relationships with regional housing and economic development organizations, trade associations, and civic groups. Through these affiliations, management is able to directly discern community 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 and approved a formal CRA policy that provides for various aspects of an effective CRA program including extensive training efforts, outreach programs, targeted marketing campaigns, periodic self-assessments by the board of directors, and branch closing procedures. The program is implemented by a CRA coordinator under the direction of a committee composed of senior management of First Virginia Bank, First Virginia Banks, Inc., and First Virginia Mortgage Company, a wholly owned bank subsidiary. The committee is headed by the corporate CRA officer and is comprised of senior management representatives from marketing, commercial lending, branch administration, retail lending, and mortgage lending. The committee meets monthly to formulate CRA policies, monitor activities, and evaluate performance. All aspects of the program are documented in the committee's review including outreach efforts, product development, marketing, loan production, geographic distribution of loans and deposits, demographic analysis, and community development activities.

Conclusion/Support--contd.

The CRA coordinator routinely reports on CRA activities to the board of directors. The expanded CRA Statement is also reviewed and approved by the board of directors on an annual basis, and CRA goals and objectives are understood by all personnel.

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

The marketing program utilizes a variety of local media sources to make the members of the community aware of the credit and deposit services offered. Service and product advertisements are placed in local newspapers and in minority and foreign language publications. Since many residents within the local community speak a foreign language, brochures describing lending and deposit products have been printed in Vietnamese, Korean, Spanish, and Arabic. Furthermore, employees who speak various foreign languages have been designated to assist the nonEnglish speaking segment of the local population with banking matters. Radio stations, billboards, direct solicitation campaigns, and mailers are also utilized in marketing efforts. The various solicitations and advertisements have promoted specific products and services as well as general awareness of the institution. Since the previous evaluation, direct mail programs have been used to promote home-equity and student loans. Specifically, 200,000 home-equity loan solicitations and 38,461 student loan solicitations were mailed to local residents. This marketing strategy is considered appropriate given the institution's 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

As identified in the CRA Statement adopted on January 29, 1996, a full range of credit products is offered including residential mortgage, home improvement, small business, commercial, consumer, student, and community development loans. Additionally, a variety of mortgage products is available through a wholly owned subsidiary, First Virginia Mortgage Company (FVMC). Two FVMC offices operate within the delineated community and bank personnel receive incentives for referral of loan applicants to the mortgage company.

During 1995, 26,823 loans for \$356.8 million were originated in the categories depicted in the following table. These loans account for the majority of the institution's lending activity.

Conclusion/Support--contd.

LOAN TYPE	NUMBER	PERCENTAGE
Direct Instalment	6,818	25.4%
Indirect Instalment	11,315	42.2%
Overdraft Protection	6,958	25.9%
Student Loan	1,349	5.0%
Home-Equity Line	383	1.5%
TOTAL	26,823	100.0%

The bank remains primarily a retail lender and as of December 31, 1995, 74.3% of the loan portfolio consisted of consumer type transactions. Indirect instalment loans are the institution's main lending focus. A majority of these loans are made through regional car dealers and as of this evaluation, the bank maintained agreements with 142 dealers from which it purchased contracts. During June of 1996, 1,343 contracts were purchased from local car dealers.

In 1995, First Virginia Bank (FVB) extended 921 mortgage-related loans totaling \$26.1 million to residents within the Metropolitan Statistical Area (MSA) portion of the delineated community. A majority of these loans (636 for \$10.9 million) were for home improvement purposes. A review of the 1995 Home Mortgage Disclosure Act (HMDA) data revealed that within the MSA segment of its market, FVB originated 10.5% of all reported home improvement loans. Furthermore, within this market, 32.2% of all types of FVB's reported loans were provided to low- and moderate-income individuals or families (defined as 80% of the median MSA family income).

Additional mortgage lending activity takes place in the subsidiary mortgage company, FVMC. The chart below reflects the number and dollar amounts of FVMC credit extensions made in 1995 within the MSA portion of the delineated community.

LOAN TYPE	NUMBER	DOLLAR AMOUNT (000's)
Home Purchase	123	\$16,596
Home Improvement	1	\$75
Home Refinance	156	\$18,243

Nearly 44% of the above loans were made to low- and moderate-income borrowers.

FVB documents direct loans made to low- and moderate-income individuals and families (defined as 80% of the MSA or county median family income, as appropriate), small businesses (defined as under \$5 million in total revenues), minority small businesses, and nonprofit organizations (includes churches, schools, rescue squads, and various nonprofit entities). The following chart depicts the number and dollar amounts of these extensions originated in 1995.

Conclusion/Support--contd.

LOAN TYPE	NUMBER	DOLLAR AMOUNT (000's)
Loans to Low- and Moderate-Income Individuals	2,013	\$21,000
Small Business	255	\$13,147
Minority Small Business	49	\$4,662
Nonprofit Small Business	41	\$9,288

Additionally, small dollar amount consumer loans are also offered and often help meet the needs of low- and moderate-income borrowers. Since the previous evaluation, 978 loans for \$2,000 or less have been 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

Federal Housing Administration (FHA) Title I Home Improvement loans primarily benefit low- and moderate-income residents and are regularly provided by the institution. FHA Title I Home Improvement loans offer a longer loan term and either minimal or no equity in the borrower's primary dwelling. From January 1, 1995 to May 31, 1996, 190 FHA Title I Home Improvement loans for \$2.5 million were originated.

FVMC offers Government-sponsored loans as well as a variety of mortgage products designed for low- and moderate-income residents. These programs generally have some combination of lower or flexible down payment requirements, more flexible debt ratios, and/or low interest rates. The FVMC products offered in FVB's delineation include Federal Housing Administration (FHA), Veterans Administration (VA), Rural Economic and Community Development (RECD), Community Home Buyer (CHB), Federal Home Loan Mortgage Corporation (FHLMC), and Virginia Housing and Development Authority (VHDA) loans. The table below illustrates FVMC's Government and affordable loan program lending within the entire delineated community during 1995.

LOAN TYPE	NUMBER	DOLLAR AMOUNT (000's)
FHA	86	\$8,073
VA	55	\$6,732
RECD	101	\$9,740
RECD/VHDA	87	\$8,439
VHDA	69	\$6,854
CHB	9	\$1,040
FHLMC	4	\$541

Conclusion/Support--contd.

Loans guaranteed by the Small Business Administration (SBA) under SBA's 504 and 7(a) loan programs are offered by FVB. Since the previous evaluation, 13 SBA loans totaling \$4.2 million have been originated.

Student loans under the Government's Stafford and Plus programs, as well as the Commonwealth's Edvantage program are offered. From January 1, 1995 to May 31, 1996, 3,095 student loans were extended for \$9.6 million.

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 Counties of Arlington, Fairfax, Prince William, Loudoun, Fauquier, Stafford, Spotsylvania, King George, Westmoreland, and Northumberland and the Cities of Alexandria, Falls Church, Fairfax, Manassas, Manassas Park, and Fredericksburg. 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 credit applications is recorded by census tract. Management uses an automated system and spread sheets to track lending activity. A review of these data support the reasonableness of the delineation. In 1995, 82.7% of all approved applications were from individuals residing within the delineated community.

Furthermore, the distribution of accepted applications in the delineated census tracts appears appropriate given the financial capabilities and branch locations of the institution. An assessment of all consumer loans originated in 1995 revealed that 13.4% of all loans extended within the delineated community were provided to individuals residing in low- and moderate-income census tracts. Of the direct and indirect instalment loans extended during 1995, 16% and 12.8%, respectively, were to residents of low- and moderate-income census tracts. By comparison, 14.8% of the population within the MSA portion of the delineated community resides in low- and moderate-income tracts.

An analysis of the Home Mortgage Disclosure Act (HMDA) information submitted by First Virginia Bank (FVB) and First Virginia Mortgage Company (FVMC) was conducted to determine the distribution of loans throughout the Washington, D. C., MSA portion of the delineated community. The following table presents a comparison of home improvement lending for FVB in low- and moderate-income census tracts to aggregate HMDA reported home improvement lending in low- and moderate-income tracts for 1995.

1995 Home Improvement Loans in Low- and Moderate-Income Census Tracts	
FVB	11.0%
Aggregate	9.0%

Conclusion/Support--contd.

The following chart compares FVB home improvement lending in low- and moderate-income census tracts to lending in middle- and upper-income census tracts on the basis of market share for 1995.

Market Share of Home Improvement Loans by Census Tract Type	
Low- and Moderate-Income Census Tracts	12.8%
All Other Census Tracts	10.2%

The table below presents a percentage comparison of home purchase and refinancings for FVMC to aggregate HMDA data for these same loans in low- and moderate-income census tracts. It should be noted that FVMC had a market share of less than one percent in the MSA portion of the bank's delineation.

1995 Home Purchase and Refinancings in L&M Census Tracts		
	Home Purchase	Home Refinance
FVMC	13.5%	11.5%
Aggregate	9.5%	10.4%

As demonstrated by these tables, both FVB's and FVMC's percentages of lending in low- and moderate-income tracts exceeded the market aggregate. The tables also revealed that the bank's share of reported loans in low- and moderate-income tracts exceeded its lending in all other tracts. The bank is an active home improvement lender throughout its delineation and has been successful in providing loans to residents of low- and moderate-income tracts.

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

Conclusion/Support

First Virginia Bank's 91 offices are reasonably accessible to all segments of the delineated community and the hours of operations are considered convenient. Twelve (13.2%) of the branches are located in low- and moderate-income census tracts. Other offices, while not in such tracts, are accessible to residents of these tracts. A branch closing policy has been adopted as required by the Federal Deposit Insurance Corporation Improvement Act of 1991. Since the previous evaluation, the bank has opened seven new offices and closed three offices. Due to the close proximity of larger and better equipped offices, no loss of service was noted as a result of two closures. The other closed branch was located in a military base that is no longer in operation.

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 to support nondiscrimination in lending and credit activities. All denied applications are subject to a second party review, and senior management monitors the application process to insure the equal employment of credit standards. Furthermore, applications are solicited from all segments of the delineated community, including low- and moderate-income neighborhoods. An analysis of HMDA data was conducted regarding the number of applications received from and loans extended to minority applicants within the Washington, D. C., MSA portion of the delineated community. The 1995 HMDA information revealed that when race was provided, 19.7% and 20.8% of FVB'S and FVMC's applications, respectively, were received from minority applicants. By comparison, 21.7% of the market aggregate applications were from minorities. When market originations were considered, findings were similar. Loans to minorities accounted for 15.7% of FVB's total originations and 19.4% of FVMC's reported loans. These origination rates are generally consistent with the 19.4% of the market aggregate originations extended to minorities. The overall minority population in the MSA portion of the delineated community is 22%. Only 1% of the MSA market population resides in predominately minority census tracts (80% or more minority). The minimal application and loan activity in such tracts for both the bank and FVMC, as well as in aggregate, reflects the limited potential demand in these areas.

Assessment Factor F - Evidence of prohibited discriminatory or other illegal

credit practices.

Conclusion/Support

A review was made of written loan policies, forms, and accepted and denied loan applications for the bank and its subsidiaries. Loan officer interviews were also conducted to gain information regarding credit evaluation standards and fair lending policies and procedures. These reviews of the bank and its subsidiaries evidenced compliance with the substantive provisions of antidiscrimination laws and regulations. Violations of the technical provisions of the Equal Credit Opportunity Act's Regulation B were identified during the examination, however.

An analysis of the 1995 HMDA information indicated that FVB originated 65% and FVMC originated 76% of all minority applications received by these institutions within the MSA portion of the delineated community. The market aggregate origination rate for minorities was 67.9%. The origination rates for white applicants for the bank and mortgage company were 83.6% and 80.4%, respectively, compared to the market aggregate rate of 78%.

The majority of loans originated by FVMC are sold in the secondary market and are subject to guidelines for underwriting by the Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC). These underwriting criteria are extensive and provide for evaluation of an applicant's credit history, ability to repay, and length of employment, and consideration of the loan-to-value ratio. Many of these same factors are considered as a part of the judgmental system employed by FVB in making a credit decision.

Conclusion/Support--contd.

Credit files corresponding to the selected loans from FVB's 1995 Loan Application Register (LAR) were matched according to income, loan type, and loan amount and reviewed to test for the equal application of credit standards among applicants. Additionally, 20 accepted and 30 denied loan applications recently received by FVMC were examined. The review of sample files found that denials resulted from applicant weaknesses, and decisions were consistent with FVB and/or secondary market guidelines. Furthermore, the files reviewed evidenced consistent application of credit criteria.

V. COMMUNITY DEVELOPMENT

Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.

Conclusion/Support

The institution supports and is involved in the development of projects promoting economic revitalization and growth within its community. Participation in various projects has included direct lending, investment, financial services, contributions, and technical assistance.

Since the previous evaluation, direct lending to individuals, small businesses, and nonprofit organizations has contributed to community development. The bank has also originated several loans that provide affordable housing opportunities for local residents. Some of these recently extended loans include:

A loan was extended to a housing development corporation to purchase and renovate an apartment building located in downtown Manassas, Virginia. Upon completion, the building will house 24 low- and moderate-income families.

As part of an ongoing project with a nonprofit housing partnership, the final loan to purchase and rehabilitate an apartment complex

located in Quantico, Virginia was originated. The complex provides housing for 16 low- and moderate-income families.

A mortgage loan and a line of credit was extended to a local services corporation to purchase a home and refinance three existing homes. These homes are used to house and provide care for area abused and neglected children.

A local nonprofit housing development corporation received a line of credit to maintain three homes for low-income mentally disabled adults.

An unsecured loan has been approved for a local redevelopment and housing authority to develop 17 lots for single-family living. Eight of these lots will be developed as Affordable Dwelling Units (ADUs).

Conclusion/Support--contd.

Additionally, two other housing related community development corporations received lines of credit. These lines of credit assist in the daily operations of the organizations and are part of an ongoing relationship between the bank and the corporations.

The bank continues to assist in the financing of low- and moderate-income housing projects through participation in the Housing Equity Fund of Virginia II, L. P. The Housing Equity Fund II grants federal tax credits to investors and consists of 11 participants with a total investment of over \$10 million. Three projects within the delineated community have been financed through the fund since the previous evaluation. Investments in Virginia Development Housing Authority (VHDA) Bonds were also made in 1995 and 1996. These bonds fund VHDA affordable housing programs throughout the Commonwealth.

Community development is also supported through an investment with the Virginia Economic Development Corporation (VEDCORP). VEDCORP is a private, for profit organization that uses its resources to provide equity investment and financing to small- and medium-sized businesses throughout Virginia.

As previously mentioned, officers and directors are directly involved and hold distinguished positions with a variety of community organizations. Specifically, the Virginia Community Development Corporation (VCDC), the Virginia Asset Financing Corporation (VAFC), the Northern Virginia Community Development (NVDCD), Colombia Pike Revitalization Organization, Colonial Beach Revitalization Organization, and VEDCORP have benefited from the service and guidance of bank directors and/or officers.

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

Through its outreach efforts management is aware of community development within the delineated community and participates in various programs consistent with the institution's size, financial capacity, economic conditions, and location. First Virginia Bank has 91 offices serving Northern Virginia which encompasses the Virginia portion of the Washington, D. C. Metropolitan Statistical Area (MSA) and includes the Northern Neck region of the Commonwealth. The counties within this market range from densely populated urban areas to sparsely populated rural regions. The majority of branch offices are located in the Virginia portion of the MSA which maintains a population of 1.7 million. Although the local economy is diverse with a mix of retail, service, and technology-based industries, the area relies directly and indirectly on the Federal Government for the majority of employment opportunities. The per capita income for the area is among the highest in the nation and the unemployment rate remains below that of both the Commonwealth and the nation. The rural localities tend to have less diverse economies and are subject to some seasonal unemployment resulting in typically higher jobless rates. The unemployment rate for the Virginia portion of the Washington, D. C., MSA is 2.8%. Westmoreland and Northumberland Counties have unemployment rates of 11.5% and 10.5%, respectively. The jobless rate for the Commonwealth of Virginia is 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

The institution continues to offer services and expertise to a variety of

community development efforts involving housing, education, neighborhood revitalization, and human services. Management also provides technical assistance for community endeavors and participates in local home buyer programs and business expositions to inform residents of local economic conditions, housing options, employment opportunities, and the availability of credit and deposit services. Furthermore, donations of time, effort, and money are routinely made to a variety of local charities and schools.

Regression Program Usage Report

(This form should be filled out for each examination conducted involving a HMDA reporter.)

Institution Name: First Virginia Bank

City, Street: Richmond, Virginia

Exam Date: July 8, 1996

Number of HMDA LAR records: 1,204

Year(s) of data considered: 1995

	FHA, VA, & FmHA HOME Purchase		Conventional Home Purchase		Refinancings		Home Improvement	
	1995	Year	1995	Year	1995	Year	1995	Year
White Approvals	0		12		225		517	
White Denials	0		0		18		76	
Minority Approvals	0		1		50		113	
Minority Denials	0		1		11		43	

Was Step 1 of regression program run? Y

if "N", why not? _____

What grouping(s) of data (i.e., loan type, location, year(s), etc.) were used?

MIN Pr > Chi Square Value

- | | |
|---|-------|
| (1) <u>Regression was run by the Board of</u> | _____ |
| (2) <u>Governors. The Board did not provide</u> | _____ |
| (3) <u>and/or return data.</u> | _____ |
| (4) _____ | _____ |
| (5) _____ | _____ |
| (6) _____ | _____ |