

PUBLIC DISCLOSURE

July 22, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Virginia Bank of Tidewater

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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 of Tidewater, Norfolk, 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

As part of a comprehensive CRA policy, First Virginia Bank of Tidewater has developed and implemented several programs designed to establish and maintain direct contact with representatives from business and economic development groups, Government agencies, and civic organizations. Specifically, seven officers are designated as CRA coordinators. These officers are responsible for developing an economic and demographic profile of their region and identifying specific areas with low levels of loan penetration and deposits. Accordingly, contacts are made with various community representatives from these regions. The coordinators also report on a monthly basis to the CRA committee detailing recent outreach efforts and the nature of information exchanged.

Officer call programs that require branch managers and commercial/real estate loan officers to perform a designated number of calls per month on prospective and existing customers are also utilized to identify local credit needs. A summary report of all calls is presented to the CRA committee monthly. Bank officer and director involvement in organizations that promote community and economic development is also used as a means of ascertaining 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 developed and implemented a formal CRA policy that addresses all aspects of the regulation, including an expanded CRA Statement, an annual self-assessment of CRA performance, and formal training at all levels of the bank. In addition, a committee comprised of senior management and board members has responsibility for monitoring the CRA program. The CRA committee meets monthly to review outreach efforts, the distribution of lending by the bank and its affiliate mortgage company, and loans or activities designed to promote economic development.

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 of Tidewater advertises loan and deposit products in a variety of media including local newspapers and radio stations. Two of the newspapers used specifically target minorities. 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 Spanish, Vietnamese, and Korean. These marketing efforts effectively communicate the availability of credit products, and adequate documentation is maintained.

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, ratified on March 21, 1996, identifies a full range of credit services including consumer, residential mortgage, home improvement, home equity, residential construction, small business, community development, student, commercial, and agricultural loans. These types of credit appear responsive to local credit needs and all types have been extended.

The bank is an active consumer lender. Since the previous evaluation, the institution has originated 2,059 direct instalment loans totaling \$33.3 million for a variety of consumer purposes. In addition, relationships have been established with 50 local automobile dealerships. Since March 1995, 4,086 indirect instalment loans primarily for automobile purchase for \$74.2 million have been extended. An analysis prepared by the bank indicates that 21% of the instalment loans were made to low- and moderate-income individuals. From January 1996 through May 1996, 364 overdraft protection accounts ("Cash-A-Matic") with balances ranging from \$300 to \$5,000 were extended. A review of bank records indicated that of the 364 accounts extended, 180 (49%) were made to low- and moderate-income individuals. During the period between January 1995 and June 1996, 286 consumer loans in amounts under \$2,000 for \$421,372 were also provided.

Real estate secured loans for a variety of purposes are also available. During 1995, the bank extended 23 home purchase loans totaling \$945,000 and 155 home refinance loans for \$5.5 million. Furthermore, the bank is an active home improvement lender. During

Conclusion/Support--contd.

1995, 240 home improvement loans totaling \$3.2 million were originated. The institution also routinely extends credit for residential construction. From January 1995 through June 1996, 93 residential construction loans totaling \$11.9 million were made. Since the previous evaluation, 102 home equity lines of credit with total commitments of \$4.2 million were provided.

Long-term conventional mortgage loans are provided through an affiliate, First Virginia Mortgage Company (FVMC). During 1995, the mortgage company originated five home purchase loans for \$516,000 and 27 home refinance loans totaling \$2 million to borrowers residing within the bank's local communities. Since the previous evaluation, First Virginia Bank of Tidewater and FVMC have extended 28 conventional purchase mortgages for \$2.5 million.

Small business loans to finance start up, inventory, working capital, and expansion purposes are made within the delineated communities. From January 1995 through June 1996, the bank extended 373 small business loans totaling \$19.9 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

Government sponsored mortgage loans are available through the bank's affiliate, FVMC. The mortgage company offers various long-term residential home purchase products including Government insured or guaranteed loans through the Federal Housing Administration (FHA), Veterans Administration (VA), and Virginia Housing Development Authority (VHDA). Since the previous evaluation, FVMC originated nine FHA loans for \$476,764, five VA loans for \$521,800, and three VHDA loans for \$249,236 to residents of the bank's local communities. Since March 1995, three reverse mortgages for \$152,300 have been extended by FVMC. These loans are guaranteed through the FHA Home Equity Conversion Mortgage Program (HECM). This program allows senior citizens to supplement retirement income through conversion of the equity in their homes into periodic cash payments.

Secured and unsecured home improvement loans insured through the FHA Title I loan program are offered through the bank. This loan program has less stringent underwriting criteria than traditional financing and requires little or no equity in the property to be improved. Since the previous evaluation, 76 Title I home improvement loans for \$971,862 have been originated.

Small Business Administration (SBA) loans are offered. Since the previous evaluation, three SBA loans for \$102,000 have been extended. SBA loan commitments outstanding currently total \$1.3 million.

Conclusion/Support--contd.

Government guaranteed student loans are offered through the Stafford, Stafford Plus, and Edvantage programs. Since the previous evaluation, 2,786 student loans for \$8.8 million have been provided.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

Conclusion/Support

Two local communities have been delineated by the institution. The Cities of Chesapeake, Norfolk, Portsmouth, Suffolk, and Virginia Beach serve as one community. The other community includes the Counties of Accomack and Northampton, located on the eastern shore of Virginia. These delineations meet the purpose of the regulation and do 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

The geographic distribution of accepted and denied loan applications is documented by the bank using census tracts. This information is reviewed annually by the board of directors and the CRA committee. The following analyses exclude loans associated with the sale of six branches to an affiliate, First Virginia Bank-Commonwealth.

A review of bank data indicates that 85% of the loans extended during 1995 were to residents of the delineated communities. In addition, lending performance in the low- and moderate-income census tracts within the community located in the Norfolk Metropolitan Statistical Area (MSA) is monitored by the institution. According to the bank's analysis, 9.5% of the loans extended in this area during 1995 were to residents of low- and moderate-income census tracts. Within this same area, 11.1% of the bank's total loan portfolio consists of loans to residents of low- and moderate-income census tracts. Within the bank's delineated community in the Norfolk MSA, 26.6% of the population resides in low- and moderate-income census tracts.

An analysis of 1995 Home Mortgage Disclosure Act (HMDA) information submitted by the bank was conducted to determine the distribution of the mortgage loans throughout the delineated community within the Norfolk MSA. The analysis includes a comparison of all HMDA reportable lending for First Virginia Bank of Tidewater to all aggregate HMDA reportable lending in low- and moderate-income census tracts. The bank's market share of mortgage loans in low- and moderate-income areas was also compared to its share of such loans in middle- and upper-income areas.

Conclusion/Support--contd.

The institution's home purchase, home refinancing, and home improvement lending during 1995 in low- and moderate-income tracts (11.4%) was equal to the percent of such lending made by the aggregate (11.4%). Its market share of low- and moderate-income lending (1.2%) was equal to its market share in middle- and upper-income tracts(1.2%).

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

Conclusion/Support

The institution operates 36 offices that are accessible to all segments of its delineated community. The bank has adopted a formal branch closing policy which addresses procedures outlined by the Federal Deposit Insurance Corporation Improvement Act of 1991. The policy encompasses all elements considered responsive to the bank's CRA obligations. Since the previous evaluation, six offices have been sold to an affiliate, First Virginia Bank-Commonwealth located in Grafton, Virginia. No additional offices have been opened or closed 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 lending and credit activities have been developed. Applications are solicited from all segments of the delineated community, including low- and moderate-income neighborhoods. Fair lending efforts undertaken by the bank include training for all employees regarding antidiscrimination lending laws and regulations. To insure that credit standards are applied consistently, the bank conducts second-party reviews of all HMDA reportable loan denials. An analysis of the 1995 Home Mortgage Disclosure (HMDA) information received by the bank within the MSA portion of its delineated community regarding race was conducted. The review of data revealed that 26.4% (102 of 386) of the applications received by the bank, where race was gathered, were from minority applicants. Twenty percent of the home purchase, home improvement, and refinancing loans approved were to minorities. The portion of the MSA delineated as the bank's community has a 33% minority population.

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

Conclusion/Support

A review was made of credit policies and procedures, forms, and 50 accepted and 40 denied loan applications for consumer and business credit; and interviews with four loan officers were conducted during the examination to determine compliance with the fair housing and fair

Conclusion/Support--contd.

lending laws and regulations. No discriminatory acts or practices were identified, and the bank is in compliance with the substantive provisions of antidiscrimination laws and regulations. A review of HMDA data concerning mortgage applicants within the delineated portion of the MSA revealed that denial rates for minorities exceeded those for white applicants. Specifically, minorities were denied credit at a rate of 2.6 to 1 during 1995. Files for specific denied minority applicants corresponding to the bank's HMDA Loan Application register were compared with the files of accepted white applicants. Analysis of the matched pairs evidenced consistent 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 willingness to participate in any such programs. The institution has supported specific projects promoting economic growth consistent with its size, financial condition, location, and current local conditions. Its participation in community development has been in the form of loans, investments, donations, and technical assistance.

Community development is primarily supported by the institution through lending as evidenced by a 72% loan-to-deposit ratio. Total loans currently represent 61% of total assets. The bank has provided a variety of credit services to meet local credit needs. As previously mentioned, 373 small business loans totaling \$19.9 million were extended from January 1995 through June 1996 for a variety of small business needs. The following is a partial listing of lending activities that have contributed to community development:

\$708,500 - construction loan to a local minority-owned ship repair business for building expansion.

\$661,500 - construction loan for development of local child care facility.

\$2.8 million - construction/permanent loan to rehabilitate a low- and moderate-income apartment complex.

\$650,000 - line of credit to minority-owned business to finance receivables.

\$270,000 - loan to purchase a poultry growing facility on the eastern shore.

Conclusion/Support--contd.

First Virginia Bank of Tidewater continues to participate in programs designed to support and promote economic and community development. Through its continuing involvement in the Virginia Community Development Corporation's Housing Equity Fund of Virginia,

Fund II LP., two projects were financed. A loan of \$103,093 was provided to refurbish an elderly housing development in the bank's eastern shore community. A \$132,906 loan was made to refurbish a hotel in connection with the Single Room Occupancy (SRO) program. This project will provide housing for the homeless in the City of Newport News. Since the previous evaluation, the bank has purchased 130 Virginia Housing and Development Authority bonds totaling \$650,000.

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

First Virginia Bank of Tidewater has 36 offices located throughout a large portion of the Hampton Roads area and in the eastern shore region of the Commonwealth of Virginia. The bank's market area has been delineated as two local communities. The first includes five cities located within the Norfolk-Virginia Beach-Newport News Metropolitan Statistical Area (MSA). The second community includes Accomack and Northampton Counties on the eastern shore peninsula. These communities differ in both size and general characteristics. The eastern shore community is rural with a total population of approximately 44,800. Its economy is primarily reliant upon agriculture, fishing and seafood, and tourism. The MSA delineation has a diversified economy and a population of approximately 936,000. Employment opportunities are available from numerous manufacturing and service industries as well as tourism, agriculture, and commercial and residential development. Furthermore, several military base operations and shipyards are located in the area and provide a significant number of jobs to local residents. The MSA currently has an unemployment rate of 5.5%, while Accomack and Northampton Counties have unemployment rates of 8.3% and 8.2%, respectively. The jobless rate for the Commonwealth of Virginia is 4.8%. Although the economy within the MSA has experienced a downturn as a result of recent cutbacks in military expenditures, it remains stable, and prospects for future economic development appear favorable.

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

Contributions and technical assistance have been provided to a variety of local nonprofit organizations to enhance community development. Since the previous evaluation, donations totaling \$60,720 have been made to a variety of local nonprofit

Conclusion/Support--contd.

organizations. In addition, bank officers and employees have participated in a variety of civic, fraternal, and nonprofit organizations, some of which are involved in economic development and low-income housing.

A variety of low-cost or no cost deposit accounts are offered by the institution that provide savings opportunities to low- and moderate-income individuals.

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