

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of F & M Bank-Central Virginia, Charlottesville, 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 March 31, 1997. 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.

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating:

This institution is rated Satisfactory based on the findings presented in the following discussion of the institution's performance.

F & M Bank-Central Virginia primarily serves its delineated community through direct lending. A full range of credit products is offered including residential mortgage, home improvement, small business, commercial, consumer, and community development loans. Furthermore, a substantial majority of the loans originated during 1996 were within the delineated community, and the bank's distribution of lending is considered reasonable. The institution's fair lending practices, policies, and procedures are appropriate, and there is no evidence of disparate lending practices. Additionally, management's outreach efforts are indicative of their commitment to meet local credit needs and participate in community development endeavors.

SCOPE OF EXAMINATION

An evaluation of F & M Bank-Central Virginia was conducted to assess CRA performance. The assessment was based on statements made by bank management and staff, minutes of the board of directors' meetings, various other records, and a discussion with a representative from a local housing organization. The institution's performance was evaluated in the following categories: geographic distribution, marketing and types of credit offered and extended, community development, fair lending, and ascertainment of community credit needs.

PROFILE

Description of the Institution

F & M Bank-Central Virginia is a subsidiary of F & M Bank National Corporation and operates its main office in Charlottesville, Virginia. In addition, the institution has seven branches located throughout the Counties of Amherst, Nelson, and Albemarle and the City of Charlottesville. As of December 31, 1996, the bank had \$77 million in assets, of which 46% were loans. A wide variety of deposit and loan products is available through the institution, including loans for home purchase, home improvement, residential construction, consumer, and commercial purposes. The loan portfolio as of December 31, 1996, was 65% real estate secured (consumer and business), 16% consumer, and 17% commercial/agricultural.

The bank's average loan-to-deposit ratio for the previous five quarters is 53%. Since December 1995, total loans have increased by 2% and total deposits have grown 5%. For banks headquartered in metropolitan areas of Virginia and of similar asset size to F & M Bank-Central Virginia, the average loan-to-deposit ratio has ranged from 69% to 72% during the five-quarter period from December 1995 through December 1996. The average loan-to-deposit ratio for similarly situated institutions in nonmetropolitan areas of the Commonwealth ranged from 66% to 69% during this time period.

Reasonableness of Delineated Community

The bank's delineated community consists of the City of Charlottesville, the Counties of Albemarle, Greene, and Nelson, and portions of Amherst, Buckingham, and Fluvanna Counties, Virginia. Specifically, management has included census tracts 101 to 106 in Amherst County, block numbering area (BNA) 9901 in Buckingham County, and census tracts 201 and 203 in Fluvanna County. This delineation appears reasonable and does not exclude any low- and moderate-income areas.

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 throughout its delineated community consistent with its size, financial capacity, and location. Albemarle, Fluvanna, and Greene Counties and the City of Charlottesville are included within the Charlottesville Metropolitan Statistical Area (MSA), and Amherst County is included within the Lynchburg MSA. The delineated community is located in the central region of the Commonwealth west of the City of Richmond.

The population of the bank's community is approximately 174,000 of which 73% reside in the Charlottesville MSA portion of the market. The delineated area includes a total of 45 populated census tracts or BNAs. Two census tracts are low-income and both are situated in the Charlottesville MSA. Eight tracts are moderate-income, seven in the Charlottesville MSA and one in the Lynchburg MSA. The remaining 35 tracts are middle- or upper-income. The regional economy is well diversified among manufacturing, education, agriculture, and tourism. Nonmanufacturing industries employ the greatest portion of the area's residents with the University of Virginia employing over 15,000 individuals. The area's economy appears relatively stable with recent unemployment rates ranging from a high of 4.9% for Nelson County to a low of 2% for Albemarle County. The current jobless rate for the Commonwealth of Virginia is 4.4%

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 that provides for an annual self-assessment of the bank's CRA efforts and routine review of the CRA program. A committee composed of officers and board members meets at least quarterly to discuss CRA activities. The board has adopted an expanded CRA Statement which describes the bank's commitment and efforts to serve the credit needs of the local community.

CRA PERFORMANCE

I. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

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

Conclusion/Support

Information on the geographic distribution of accepted and denied applications is periodically compiled by census tracts or BNAs. The most recent analysis, however, was conducted as of June 1995. These data demonstrated that a majority of the accepted and denied applications were within the delineated community. A further analysis of recently accepted and denied loan applications (February 1997) revealed that 88% of approvals and 90% of denials were within the delineated community.

Additionally, an analysis of small business and small farm lending during 1996 revealed that 96% of small business loans and the two small farm loans were extended within the delineated community. Of the 158 small business loans originated in the community, 72 were within the delineated part of the Charlottesville MSA and 17 were in Amherst County. Twenty of the 158 small business loans were made in low- or moderate-income census tracts. According to the bank's Home Mortgage Disclosure Act (HMDA) data, 53 mortgage loans were originated in the Charlottesville MSA, representing 56% of all 1996 reported loans. Four of these loans were originated in low- or moderate-income census tracts. In addition, seven mortgage loans were made in Amherst County during the same period. The location of the remaining loans could not be determined.

As evidenced by the above analyses, the distribution of loans demonstrates a reasonable penetration of lending into all segments of the delineated community.

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

Conclusion/Support

The institution operates seven offices that are accessible to all segments of its delineated communities, and hours of operation are considered convenient. No offices have been opened or closed since the previous CRA evaluation. Four branches are located in the Charlottesville MSA portion of the delineated community and one in Amherst County. The remaining two offices are in Nelson County. A formal policy addressing branch closing procedures that meets the requirements of the Federal Deposit Insurance Corporation Improvement Act 1991 has been adopted. The policy encompasses all elements considered responsive to the bank's CRA obligations.

II. **MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED**

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 Public File, a full range of credit products is offered including commercial, small business, residential construction, home improvement, and consumer loans. Through the institution's lending programs, a significant portion of the community credit needs have been adequately addressed.

The institution offers a variety of consumer loans and has extended 1,145 such loans (excluding real estate) totaling \$8.3 million since the previous examination. In addition, the bank routinely extends mortgage loans for various purposes. During 1996, 69 home improvement loans for \$692,000 and 25 home purchase/refinance loans totaling \$1.2 million were funded. Furthermore, 11 home construction loans for \$1.6 million have been originated since October 1995. While long-term conventional fixed-rate mortgages and Government sponsored mortgages are not offered by the bank, such products are available through the bank's mortgage affiliate. Additionally, loans in amounts less than \$1,500 are routinely extended and often benefit low- and moderate-income individuals. Since the previous examination, 269 small dollar loans have been financed totaling \$284,691.

The institution continues to be an active business lender. Loans for small business start up, expansion, and working capital are regularly extended. During 1996, 165 small business loans were originated totaling \$3.1 million. As mentioned previously, 158 of these business loans were extended within the bank's market area. Additionally, two small farm loans (\$23,000) were extended during 1996.

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

Conclusion/Support

While Government sponsored mortgages are not offered by the bank, such products are available through the bank's affiliate Big Apple Mortgage (BAM). Applicants are also informally referred to other local lending institutions. During 1996, however, no evidence of referrals to BAM or any other lenders was maintained. Small Business Administration (SBA) loans are also available; however, none have been extended since the previous evaluation.

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

Marketing efforts include the bank's officer call program and the CRA officers' community outreach program, as well as institutional advertisements in publications of various civic and social organizations. The bank also occasionally advertises in the Charlottesville Observer and on local radio and cable television stations. Bank officers have provided assistance to local high schools and community organizations in understanding and applying for credit. The marketing efforts for this institution appear adequate.

III. COMMUNITY DEVELOPMENT

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

Conclusion/Support

Through its outreach efforts, management is generally aware of community development and redevelopment programs within the local community and appears willing to participate in any such programs. The bank supports the development or implementation of specific projects promoting revitalization and growth consistent with its size, financial condition, and location. Participation in various projects has been in the form of direct lending, donations, and technical assistance.

Management continues to support area development through direct lending to local businesses, individuals, and nonprofit organizations. Some of the loans recently extended for community development purposes include:

- A loan was originated to a local partnership to purchase an apartment complex.
- Credit was extended to a local church for construction of a multi-purpose fellowship building.
- A loan was originated to finance the purchase a local shopping center.

Each of the above loans was originated in Albemarle County in the Charlottesville MSA. Additionally, loans were made elsewhere in the delineated community for the following purposes:

- Financing has been provided to numerous business owners for expansion and inventory.
- Financing was provided for the purchase of a local motel.

Furthermore, working relationships have been established with many Government and local private-sector representatives to assist in identifying opportunities to address community development needs.

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

Technical assistance, volunteer activities, and charitable contributions further support community development. Bank personnel provide presentations to local high schools, community colleges, and civic groups concerning credit and financial issues. Monetary donations are also regularly provided to various nonprofit organizations, schools, and charities.

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

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

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

Conclusion/Support

A review was made of lending policies, forms, procedures, and 29 accepted and 30 denied loan applications for consumer and business credit. A loan officer interview was also performed to determine compliance with fair housing and fair lending laws and regulations. Violations of the technical aspects of HMDA's Regulation C were identified during the examination. The review of files conducted during the examination demonstrated an equal application of credit standards, and no discriminatory credit practices were identified.

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. Applications are solicited from all segments of the delineated community including low- and moderate-income neighborhoods. A review of the bank's HMDA data indicated that 17% of the 1995 and 14% of the 1996 reportable loans were made to minorities. Although not all HMDA reportable loans were originated within the bank's community, for comparison purposes, the minority population of the market is approximately 19%.

V. 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. Such relationships provide management with valuable insight concerning local credit needs. Furthermore, local political, business, and community leaders are frequently contacted to identify market concerns.