

**PUBLIC DISCLOSURE**  
July 9, 2001  
**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First Virginia Bank-Southwest  
208329  
P. O. Box 7585  
Roanoke, Virginia 24019-0585

**Federal Reserve Bank of Richmond**  
**P. O. Box 27622**  
**Richmond, Virginia 23261**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. 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.

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**INSTITUTION'S CRA RATING:** This institution is rated Satisfactory.

The following table indicates the performance level of First Virginia Bank-Southwest with respect to the lending, investment, and service tests.

<b>PERFORMANCE LEVELS</b>	<b><u>First Virginia Bank-Southwest</u></b>		
	<b>PERFORMANCE TESTS</b>		
	<b>LENDING TEST *</b>	<b>INVESTMENT TEST</b>	<b>SERVICE TEST</b>
Outstanding			
High Satisfactory	X	X	X
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

\* The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

The major factors supporting the institution's rating include:

- Overall lending activity was consistent with the bank's capacity and addressed identified community credit needs.
- A substantial majority of the institution's HMDA, small business, and consumer loans were originated within the bank's assessment areas.
- The borrower and geographic distribution of loans within each of the assessment areas reviewed using the examination procedures is considered at least adequate and in most cases good.
- Numerous community development loans have been extended for an assortment of affordable housing, economic

development, and social service purposes.

- Participation in qualified community development investments is responsive to community credit needs and is considered good.
- Delivery systems and branch locations are readily accessible to all segments of the assessment areas. Branch closings have not adversely affected low- and moderate-income neighborhoods.
- The level of community development services provided is responsive to identified community needs.
- The bank has not received any complaints regarding its CRA performance since the previous CRA evaluation.

### **DESCRIPTION OF INSTITUTION:**

First Virginia Bank–Southwest is headquartered in Roanoke, Virginia, and operates 65 branch offices throughout the southwestern portion of the Commonwealth of Virginia. The institution is a subsidiary of First Virginia Banks, Inc. (FVBI), a multi-bank holding company located in Falls Church, Virginia. Additionally, First Virginia Mortgage Company (FVMC) and First Virginia Credit Services, Inc. (FVCSI), are subsidiaries of the lead bank, First Virginia Bank, Falls Church, Virginia, and share an affiliate relationship with First Virginia Bank-Southwest. First Virginia Bank closed a mortgage subsidiary, First General Mortgage Company (FGMC) in the first quarter of 2000. FGMC had extended home equity loans for various purposes and operated in several mid-Atlantic states.

As of March 31, 2001, the bank had assets of \$1.4 billion, of which 66.4% were loans and 27.5% were securities. The loan portfolio was comprised of 49.1% consumer purpose, 40.4% real estate secured (both commercial and business), 9.8% commercial/ agricultural, and .7% other. Deposits as of March 31, 2001, were \$1.2 billion. Five branch offices have been closed and one has been opened since the previous examination dated June 21, 1999. First Virginia Bank-Southwest was rated satisfactory at the previous CRA examination.

The bank serves five assessment areas, of which three are located in Metropolitan Statistical Areas (MSAs). The following chart details the communities included within each of the bank's assessment areas, as well as the percentage of the bank's overall lending activity originated within each market.

Assessment Area	MSA Name	% of Lending Within Market	Counties/Cities Included Within Market
Roanoke	Roanoke MSA	18.7%	Roanoke and Botetourt Counties and Roanoke and Salem Cities
Lynchburg	Lynchburg MSA	12.4%	Amherst, Bedford, and Campbell Counties and Lynchburg and Bedford Cities
Danville	Danville MSA	6.9%	Pittsylvania County and Danville City
Radford	NA	55.5%	Bland, Carroll, Floyd, Franklin, Giles, Grayson, Montgomery, Pulaski, Tazewell, and Wythe Counties and Galax and Radford Cities
Covington	NA	6.5%	Alleghany and Bath Counties and Covington and Clifton Forge Cities

## **SCOPE OF EXAMINATION**

The review of bank's lending activity includes HMDA, small business/farm, and consumer loans originated or purchased during the review period from January 1, 1999, to December 31, 2000. In addition, community development lending for the period from June 1, 1999, through June 30, 2001, was evaluated. Investments and community development services for this same period were considered.

The Radford and Roanoke assessment areas, selected in large part because of the volume of lending, were evaluated using the interagency examination procedures developed by the Federal Financial Institution's Examination Council. The Roanoke and Radford assessment areas account for over 74% of the total number of assessment area loans and over 73% of the dollar volume extended during the review period. Also, 75.4% of bank branches are within these areas, as well as nearly 75% of all deposits. An overall rating and ratings for the lending, investment, and service tests are assigned for the institution as a whole based on performance in these two assessment areas. For assessment areas not reviewed using the examination procedures, a determination was made as to whether performance was consistent with the assigned overall rating.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:**

### **LENDING TEST**

An analysis of lending for the bank's assessment areas is discussed in greater detail later in the report. The lending test is rated high satisfactory overall based on the lending activity, loan distribution, and community development lending. Area demographics, Dun & Bradstreet (D&B) economic data, and market aggregate information are used as proxies for demand when evaluating the bank's performance. Aggregated loan data for 1999 is used since the 2000 aggregated data is not yet available. Aggregated data includes First Virginia Bank–Southwest and all institutions that reported loans of the type considered within First Virginia Bank–Southwest's assessment areas.

### Lending Activity

In addition to originations, loans are routinely purchased and sold among First Virginia affiliates, and a significant volume of lending comes from FVCSI. Taking into account all lending activity, First Virginia Bank–Southwest is an active lender. Loan-to-deposit ratio is one measure of a bank's lending relative to its capacity. During an eight-quarter period ending March 2001, the quarterly average loan-to-deposit ratio, for all banks headquartered in metropolitan areas of Virginia and of similar asset size to First Virginia Bank-Southwest, ranged from 76.4% to 79.7%. The bank's average loan-to-deposit ratio for the same eight-quarter period is 76.3%. No barriers to the institution's ability to lend were noted.

Various loan products are available through the institution including consumer, residential mortgage, home equity, and commercial loans. Mortgage loans offered by the bank include conventional 20-year mortgages, fixed-rate home equity loans, FHA Title I home improvement loans, and home equity lines of credit. Although not offered directly, credit cards are available to customers through an arrangement with MBNA, Incorporated, a credit card bank headquartered in Delaware.

Lending by other affiliates contributes in meeting the credit needs of the institution's assessment areas. In particular, FVCSI originates a significant number of indirect automobile instalment loans within the bank's markets, and such lending comprises the bulk of loans considered during the evaluation period. Also, more complex products, such as adjustable rate mortgages, as well as Government insured or guaranteed loans, are available by referral to FVMC, a mortgage lending affiliate. The following table depicts lending by the bank and lending by affiliates within the bank's assessment areas in the designated categories. The table illustrates that lending primarily has targeted the retail market with an emphasis on motor vehicle lending.

First Virginia Bank-Southwest Loan Originations/Purchases Including Affiliates January 1, 1999, to December 31, 2000				
	Total Loans	Percentage of Lending	Total Dollar Amount (000's)	Percentage of Lending
Small Business *	1,322	3.2%	\$74,561	14.5%
Small Farm *	139	.4%	\$2,943	.6%
Small Business-Real Estate Secured	3	<.1%	\$243	<.1%
HMDA Total *	3,030	7.3%	\$121,995	23.6%
<i>HMDA Subtotals</i>				
<i>Home Purchase</i>	<i>593</i>	<i>1.4%</i>	<i>\$31,367</i>	<i>6.1%</i>
<i>Home Refinance</i>	<i>1,535</i>	<i>3.7%</i>	<i>\$79,689</i>	<i>15.4%</i>
<i>Home Improvement</i>	<i>900</i>	<i>2.2%</i>	<i>\$10,874</i>	<i>2.1%</i>
<i>Multi-Family</i>	<i>2</i>	<i>&lt;.1%</i>	<i>\$65</i>	<i>&lt;.1%</i>
Home Equity (nonHMDA)	1,100	2.7%	\$40,214	7.8%
Motor Vehicle	16,305	39.5%	\$215,994	41.9%
Other Consumer Secured	4,777	11.6%	\$31,831	6.2%
Other Consumer Unsecured	14,580	35.3%	\$27,893	5.4%
Totals	41,256	100%	\$515,674	100%

\* The institution is required to collect information about these types of loans.

FVMC has recently begun accepting applications over the Internet only, and mortgage volume has declined as a result. However, the bank has recently extended the term of its home equity loan product from a maximum term of 15 years to 20 years making this product a more flexible mortgage alternative.

A number of available loan products incorporate flexible terms. FVMC extended 86 Government-sponsored or affordable housing loans totaling \$6.6 million within the bank's assessment areas from January 1, 1999, to December 31, 2000. Since January 1999, 65 Title I loans were originated totaling \$687,267. Additionally, the bank made ten Small Business Administration

loans (\$1.3 million) during this period. The bank also participates in the Healthy Community Loan Fund. The fund established by FVBI and the Virginia Health Care Foundation provides financing to health care providers willing to locate in underserved communities throughout the Commonwealth. State officials have identified these designated areas as having a shortage of adequate health care. The bank extended three loans under this program during the review period. One loan for \$200,000 was made in the Danville assessment area. Another loan for \$150,000 was made in the Radford assessment area. A third loan for \$100,000 was originated in the Covington assessment area. The areas targeted by this program typically have a relatively high poverty rate and high percentage of low- and moderate-income residents.

In addition to the above lending, the bank extended at least three loans totaling \$196,000 reported as small business loans that had a community development purpose.

### Assessment Area Concentration

The table below depicts the distribution of bank lending inside and outside its assessment areas. Affiliate lending is not included.

#### Comparison of Credit Extended Inside and Outside of Assessment Areas

Loan Category	IN				OUT			
	#	%	\$(000's)	%	#	%	\$(000's)	%
Small Business/Farm	1,455	94.0%	\$76,922	93.2%	93	6.0%	\$5,652	6.8%
HMDA	2,753	91.9%	\$97,789	92.9%	244	8.1%	\$7,474	7.1%
Consumer	27,508	90.3%	\$178,176	91.5%	2,945	9.7%	\$16,606	8.5%
Totals	31,716	90.6%	\$352,887	92.2%	3,282	9.4%	\$29,732	7.8%

As depicted above, a substantial majority of the number (90.6%) and dollar amounts (92.2%) of loans have been provided to assessment area residents. Overall, the percentage of loans made within the assessment areas is considered highly responsive to community credit needs.

### Borrower and Geographic Distribution

Within each assessment area reviewed using the examination procedures, a good distribution of loans to individuals of varying incomes was noted. Lending to businesses of different sizes ranged from adequate to good. Loan penetration among low-, moderate-, middle-, and upper-income geographies was considered adequate relative to area credit needs within each assessment

area. In all cases, the bank's performance was compared to demographic proxies for demand, as well as available aggregate loan data.

### Community Development Lending

The bank made 90 loans totaling \$7.3 million for a variety of community development purposes within its five assessment areas. Opportunities for community development lending vary among the bank's assessment areas. Often, limited opportunities for such lending exists in predominately rural communities.

### **INVESTMENT TEST**

The institution's level of responding to community development needs through its investment activities is rated high satisfactory. Qualified community development investments consist of Virginia Housing Development Authority (VHDA) bonds, which provide housing assistance to low- and moderate-income families through mortgage loans within Virginia. As of the examination date, the bank had \$11.0 million in VHDA bonds, of which \$7.4 million were purchased since the previous evaluation. The bank has also invested \$5.1 million in Virginia Community Development Corporation's Housing Equity Funds. These funds invest in affordable housing projects throughout the Commonwealth that are eligible for low-income housing tax credits. Further, a \$85,000 equity investment is maintained in Virginia Capital, LLC, which operates a licensed small business investment company (SBIC), Virginia Capital SBIC, LP. Since the previous evaluation, the bank has contributed \$48,040 to a variety of organizations that primarily assist low- and moderate-income residents and small businesses within the various assessment areas. Investments targeting specific markets are discussed in each assessment area evaluation.

### **SERVICE TEST**

The rating of the institution under the service test is high satisfactory. Delivery systems, including ATMs and branch locations, are considered readily accessible, and the hours of operation are convenient to all portions of the assessment areas. The bank's participation in a variety of community organizations is considered responsive to community needs. The bank closed five branch offices and opened one new office since the previous evaluation. A branch closing policy has been adopted as required by the Federal Deposit Insurance Corporation Improvement Act of 1991.

### **COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS**

No credit practices inconsistent with the substantive provisions of the fair housing and fair lending laws and regulation were identified. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending



activities.

### **METROPOLITAN AREAS**

(if some or all of the assessment areas within the metropolitan area were reviewed using the examination procedures)

#### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN ROANOKE ASSESSMENT AREA:**

This assessment area consists of the Roanoke Metropolitan Statistical Area (MSA), which contains Roanoke and Botetourt Counties and the Cities of Roanoke and Salem, Virginia. The area includes 52 census tracts, of which 47 are populated. Of the populated tracts, three are low-income, eight are moderate-income, 25 are middle-income, and 11 are upper-income. According to 1990 census data, this assessment area has a population of 224,477 and a median housing value of \$67,247. The owner-occupancy rate for the market is 67.8%, which is slightly higher than the Commonwealth of Virginia's rate of 66.2%. The percentage of assessment area families living below the poverty level is 7.1%. The 1999 and 2000 median family incomes for the Roanoke MSA are \$49,200 and \$51,200, respectively.

The following table provides demographics for the metropolitan assessment area by the income level of families and the percentage of population and owner-occupied housing units in census tracts of varying income levels. Poverty rates by level of census tract are also provided. For the year 2000, 90.0% of all assessment area businesses reported revenues of \$1 million or less.

Assessment Area Demographics

	Low- Income	Moderate -Income	Middle- Income	Upper- Income	Total
Percentage of Area Families by Income Level	18.6%	18.4%	24.8%	38.2%	100%
Percentage of Population Residing in Census Tracts by Income Level	3.4%	13.1%	56%	27.5%	100%
Percentage of Owner-Occupied Housing Units by Income Level of Tract	1.7%	9.5%	58%	30.8%	100%
Percentage of Businesses Located in Census Tracts by Income Level*	10.4%	10.8%	53.3%	25.5%	100%
Percentage of Families Below Poverty Rate by Income Level of Tract	37.9%	20.8%	5.1%	2.8%	NA

\* Based on July 1998 D&B economic data.

This assessment area is situated in the southwestern portion of the Commonwealth and is primarily rural. The City of Roanoke, however, serves as the center of commerce. Diverse employment opportunities exist in the service, manufacturing, and health care industries, as well as local, State, and Federal Government. Carilion Health System, General Electric, and Norfolk Southern Railway are major employers in the area. The unemployment rates for the cities and counties in the assessment area are depicted below. The current unemployment rate for the Commonwealth of Virginia is 2.2%.

**City or County**

**Unemployment Rates for May 2001**

Botetourt County	1.8%
Roanoke County	1.3%
Roanoke City	2.5%
Salem City	1.7%

First Virginia Bank-Southwest operates 11 branches in this assessment area. As of June 30, 2000, the bank's deposit market share within the assessment area was 4.7%. The assessment area accounts for 18.7% of the number of loans and 20.9% of dollar volume for the review period. According to 1999 aggregate data, the institution had a market share of 4.3% of small business lending and 2.3% of mortgage lending within this assessment area. While not a large mortgage lender, the bank ranked fourth in home improvement lending with a 12.1% market share.

Although the local economy is strong with low unemployment, high levels of poverty in low- and moderate-income census tract suggests that effective demand for credit in these geographies may be limited. A community contact was made to assist in evaluating the bank's performance relative to local credit needs and opportunities. The contact suggested that area banks were generally meeting community needs but identified a need for innovative small business financing programs.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN ROANOKE ASSESSMENT AREA:**

### **LENDING ACTIVITY**

Relative to the number of offices (16.9%) and the deposits (19.8%) from the assessment area, the volume of lending activity is considered good.

### **LENDING TEST**

#### Geographic Distribution of Loans

The geographic distribution of loans is reflected in the following tables.

Distribution of Consumer Loans by Income Level of Census Tract

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	81	519	4,153	2,292	7,045
Percentage of Total Loans	1.1%	7.4%	59.0%	32.5%	100%
Total Amount of Loans (000's)	\$638	\$4,332	\$39,953	\$25,510	\$70,433
Percentage of Total Amount	.9%	6.2%	56.7%	36.2%	100%

Consumer lending within low- (1.1%) and moderate-income (7.4%) census tracts is lower than the percentage of population residing in such tracts (low-income 3.4% and moderate-income 13.1%). However, the percentages of families below the poverty level residing in low- and moderate-income census tracts are 37.9% and 20.8%, respectively. These high poverty rates would likely reduce the effective demand for credit in these areas. Consequently, the institution's level of consumer lending in these tracts is considered adequate.

Distribution of HMDA Loans by Income Level of Census Tract

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	4	37	273	124	438
Percentage of Total Loans	.9%	8.5%	62.3%	28.3%	100%
Total Amount of Loans (000's)	\$61	\$1,092	\$10,331	\$6,180	\$17,664
Percentage of Total Amount	.3%	6.2%	58.5%	35%	100%

The distribution of HMDA loans in low- (.9%) and moderate-income (8.5%) census tracts is slightly lower than the percentage of

owner-occupied housing units in such tracts (low-income 1.7% and moderate-income 9.5%). The bank's level of lending is also slightly lower than aggregate lending in low- (1.7%) and moderate- (9.8) income geographies. As mentioned previously, the percentage of families below the poverty level within low- and moderate-income census tracts is relatively high. Consequently, the bank's HMDA lending within this assessment area is considered good.

Distribution of Small Business Loans by Income Level of Census Tract

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	23	20	113	57	213
Percentage of Total Loans	10.8%	9.4%	53.0%	26.8%	100%
Total Amount of Loans (000's)	\$2,828	\$1,653	\$11,315	\$3,991	\$19,787
Percentage of Total Amount	14.3%	8.3%	57.2%	20.2%	100%

First Virginia Bank-Southwest's small business loan penetration in low- (10.8%) and moderate-income (9.4%) census tracts is consistent with D&B data, which indicates that within the assessment area 10.4% and 10.8% of commercial entities are located in such tracts, respectively. A review of the 1999 small business aggregate data revealed a 11.4% and 9.1% penetration in low- and moderate-income tracts, respectively. The bank's lending in low- and moderate-income tracts is consistent with aggregate lending. The bank's small business lending is considered good when compared to market and demographic data.

Additionally, the bank extended two small farm loans (<.1% of total market loans) totaling \$34,000 within the assessment area. Small farm loans were not evaluated due to the small volume reported within this market.

The overall geographic loan distribution (consumer, HMDA, and small business) within this assessment area is considered adequate given the institution's size, branch locations, and the effective demand for credit.

Borrower Profile

The distribution of loans by income level of borrower and size of business are reflected in the following tables.

Distribution of Consumer Loans by Income Level of Borrower

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	1,641	1,666	1,430	1,412	6,149
Percentage of Total Loans	26.7%	27.1%	23.2%	23%	100%
Total Amount of Loans (000's)	\$10,825	\$17,223	\$17,054	\$23,336	\$68,438
Percentage of Total Amount	15.8%	25.2%	24.9%	34.1%	100%

The volume of consumer loans to low-income borrowers (26.7%) is considerably higher than the percentage of low-income families (18.6%) residing in the assessment area. Lending to moderate-income borrowers (27.1%) also exceeds the percentage of moderate-income families (18.4%) within this assessment area. Lending to borrowers in both income categories is highly responsive to consumer credit needs and is considered excellent.

Distribution of HMDA Loans by Income Level of Borrower

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	96	114	123	100	433
Percentage of Total Loans	22.2%	26.3%	28.4%	23.1%	100%
Total Amount of Loans (000's)	\$2,076	\$4,226	\$4,740	\$6,528	\$17,570
Percentage of Total Amount	11.8%	24%	27%	37.2%	100%

Within the assessment area, the institution provided 22.2% of its HMDA loans to low-income borrowers and 26.3% to moderate-income borrowers. This level of lending is considered good and exceeded market aggregate lending for low-income borrowers (13.7%) and was consistent with aggregate lending for moderate-income borrowers (26.8%). Furthermore, the bank's level of

lending to low- and moderate-income families was significantly higher than the percentage of such families (18.6% low-income and 18.4% moderate-income) residing in the assessment area.

Distribution of Lending  
by Loan Amount and Size of Business

	\$0 - \$100,000		>\$100,000 to \$250,000		> \$250,000		Total	
Number Total Revenues ≤ \$1 Million	128	60.1%	21	9.9%	6	2.8%	155	72.8%
Number Total Revenues > \$1 Million	37	17.4%	13	6.1%	8	3.7%	58	27.2%
Totals	165	77.5%	34	16%	14	6.5%	213	100%

Of the 213 small business loans provided to various entities in the assessment area, 72.8% were provided to businesses with revenues of \$1 million or less. Additionally, 60.1% of the loans were to borrowers with revenues \$1 million or less and in amounts less than \$100,000. According to data for the year 2000, 90.0% of all assessment area businesses generated revenues of \$1 million or less. The 1999 aggregate lending data indicated that 54.1% of the small business lending was to entities with revenues of \$1 million or less; however, the remaining loans were either to businesses with revenues over \$1 million or the revenue is unknown. Based on the number of small businesses within this assessment area and aggregate data, the bank's level of lending to such entities is considered good.

As mentioned previously, small farm loans were not evaluated due to the small volume (<.1%) reported within this market.

Given the products offered by the institution, the distribution of loans to borrowers of different income levels and to businesses of different sizes is considered good and responsive to community credit needs using aggregate data and area demographics as proxies for demand.

Community Development Loans

The bank's origination of qualified community development loans within the Roanoke assessment area is considered highly responsive to community credit needs and includes:

- A \$4.5 million loan to construct a 68-unit apartment building that will target elderly individuals with incomes that fall between 40% to 60% of area median income. This complex is being constructed in a low-income census tract in conjunction with the Northwest Neighborhood Environmental Organization (NNEO). A \$300,000 grant has been awarded to this project through the Federal Home Loan Bank of Atlanta's Affordable Housing Program. Additional funding sources will include Low Income Tax Credits, VHDA financing, and the Virginia Housing Partnership Fund.
- A \$165,000 line of credit to the NNEO for the construction of three houses to be sold to eligible families. This nonprofit organization was created to transform declining housing and provide new affordable housing options in targeted low-income neighborhoods of the City of Roanoke.

## **INVESTMENT TEST**

Supplementing its statewide investments discussed previously, the institution has also routinely made contributions to organizations that serve primarily low- and moderate-income residents of the assessment area. These organizations include, but are not limited to, the NNEO, Total Action Against Poverty, CHIP of Virginia/Roanoke Valley, Christmas in April, Loudoun-Melrose Neighborhood Organization, and Southwestern Virginia Second Harvest Food Bank. Since the previous examination, \$18,250 in qualified donations were provided to organizations that primarily serve small businesses and/or low- and moderate-income residents of the assessment area.

## **SERVICE TEST**

### Accessibility of Delivery Systems

Delivery systems are accessible to all portions of the assessment area. Ten automated teller machines (ATMs) are available and, through a network, provide customers with 24-hour nationwide access. None of the bank's metropolitan ATMs are located in low- and moderate-income census tracts, but nearby offices offer this service. Bank-by-mail and computer banking services are also offered by the institution for deposit and lending products. In addition, First Virginia Bank provides customers with 24-hour telephone access to their accounts.

### Branch Locations and Hours of Operation



The institution has 11 offices within this assessment area, of which one (9.1%) is located in a low-income census tract. Additionally, branch locations and business hours are considered convenient and meet the needs of the assessment area. Most branches offer Saturday hours and have drive-thru facilities that are open extended hours. No branch locations have been opened or closed since the prior examination. As previously mentioned, a branch closing policy has been adopted as required by the Federal Deposit Insurance Corporation Improvement Act of 1991.

### Community Development Services

The institution provides financial expertise to numerous community development organizations. In particular, bank officers serve on the following organizations:

- Total Action Against Poverty of the Roanoke Valley, Director - This organization helps low-income individuals achieve self-sufficiency through education and training.
- Total Action Against Poverty "This Valley Works", Chairman of the Board and Loan Committee Member - This organization assists entrepreneurs to establish and maintain their businesses through evaluation, research, development and implementation of a business plan. Services offered through the organization include business training, technical assistance, counseling, and business loans for qualifying micro-businesses.
- Loudon/Melrose Neighborhood Organization, Financial Officer - This organization works to provide affordable housing in a targeted low-income neighborhood within the City of Roanoke.
- Western Virginia Workforce Development Board, Director and Vice Chairman - This partnership is charged with developing a workforce development system from disparate education, job training, and employment programs in the local community.
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In addition, three bank employees teach through Junior Achievement at a school that primarily serves lower-income families. These organizations all assist lower income residents by revitalizing targeted communities and by improving economic development in the regions they serve.

Systems for delivering retail-banking services appear effective and available to all portions of the assessment area, including low- and moderate-income areas. Furthermore, the bank's provision of community development services within the market area is considered responsive to community needs.

## METROPOLITAN AREAS

(for each metropolitan area where no assessment areas were reviewed using the examination procedures)

The following metropolitan assessment areas were not reviewed using the examination procedures. The table indicates for each test whether performance in an assessment area was below, was consistent with, or exceeded performance for the institution overall. In all cases performance was at least adequate.

Assessment Area	Lending Test	Investment Test	Service Test
Lynchburg MSA	Below	Consistent	Consistent
Danville MSA	Below	Consistent	Below

Facts and data reviewed, including performance and demographic information, can be found in the following tables. Performance under the lending test for the Lynchburg and Danville assessment areas was slightly below that for the institution, primarily due to weaknesses identified in the geographic distribution of lending within these markets. The service test performance for the Danville assessment area was below that for the institution, primarily due to the lack of qualified community development services. In no instance did the differences in performance affect the overall rating.

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN LYNCHBURG ASSESSMENT AREA:**

This assessment area is located within the Lynchburg MSA and includes Amherst, Bedford, and Campbell Counties and the Cities of Lynchburg and Bedford, Virginia.

The bank has six offices in the assessment area.

Assessment Area Demographics

Tracts in Assessment Area/Low- and Moderate-Income Tracts	48/13	Median Family Income (2000)	\$46,300		
Population	193,928	Poverty Rate (Families)	8.8%		
Median Housing Value	\$65,844	Owner-Occupancy Rate	72.7%		
% of Businesses with Revenues $\leq$ \$1 million			91.5%		
% of Businesses in Low- Income Tracts*	7.6%	% of Businesses in Moderate- Income Tracts*	12%		
	Low- Income	Moderate- Income		Low- Income	Moderate- Income
Percentage of Area Families by Income Level	18.9%	18.5%	Percentage of Families Below the Poverty Rate by Income Level of Tract	36.8%	20.3%
Percentage of Population Residing in Census Tracts by Income Level of Tract	2.1%	10.2%	Percentage of Owner-Occupied Housing Units by Income Level of Tract	1.0%	6.3%

\* Based on July 1998 D&B economic data.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN LYNCHBURG ASSESSMENT AREA:**

**LENDING TEST**

First Virginia Bank-Southwest Loan Originations/Purchases										
	Loans in Low-Income Tracts		Loans in Moderate-Income Tracts		Loans to Low-Income Borrowers		Loans to Moderate-Income Borrowers		Loans to Businesses with Revenues ≤ \$1 Million	
	#	%	#	%	#	%	#	%	#	%
Small Business	2	.9%	15	6.4%	NA	NA	NA	NA	211	90.6%
HMDA	2	.6%	12	3.4%	57	16.2%	69	19.6%	NA	NA
Consumer	17	.4%	109	2.4%	770	19.2%	1,031	25.7%	NA	NA
1999 Aggregate Loan Originations/Purchases										
Small Business		4.1%		8.2%		NA		NA		63.4%
HMDA		.9%		5.8%		11.1%		20.9%		NA

Additionally, the bank extended nine small farm loans (.2% of total market loans) totaling \$121,000 within the assessment area. Small farm loans were not evaluated due to the small volume reported within this market.

### Community Development Loans

From January 1999 through June 2001, the bank originated 81 qualified community development loans totaling \$146,911 through the Ways to Work Program in Lynchburg. This program is offered through a partnership with the Alliance for Families and Children and provides small loans to low-income individuals.

### **INVESTMENT TEST**

Qualified donations totaling \$2,600 were provided to a variety of local organizations, including those that primarily serve low- and moderate-income residents of this assessment area. These contributions supplement the statewide investments made by the institution.

### **SERVICE TEST**

The bank operates two ATMs and six offices, of which one limited facility branch is located in a low-income census tract

(16.7%). Several branches offer Saturday hours and have drive-thru facilities that are open extended hours. No branch locations have been opened or closed since the previous evaluation. Bank officers serve on the loan committee for the Alliance for Families & Children Ways to Work and as a committee member for the Old Dominion Job Corps, which provides job training for at-risk youth from low-income families. The services offered in this assessment area are considered reasonable.

**DESCRIPTION OF INSTITUTION'S OPERATIONS IN DANVILLE ASSESSMENT AREA:**

This assessment area is located within the Danville MSA and includes Pittsylvania County and the City of Danville, Virginia. The bank has six offices in the assessment area.

Assessment Area Demographics

Tracts in Assessment Area/Low- and Moderate-Income Tracts	30/9	Median Family Income (2000)	\$40,300		
Population	108,711	Poverty Rate (Families)	12.2%		
Median Housing Value	\$47,950	Owner-Occupancy Rate	69.3%		
% of Businesses with Revenues ≤ \$1 million			91.7%		
% of Businesses in Low- Income Tracts*	9.1%	% of Businesses in Moderate- Income Tracts*	17.8%		
	Low- Income	Moderate- Income		Low- Income	Moderate- Income
Percentage of Area Families by Income Level	21.8%	17.2%	Percentage of Families Below the Poverty Rate by Income Level of Tract	16%	22.6%
Percentage of Population Residing in Census Tracts by Income Level of Tract	1.1%	25.3%	Percentage of Owner- Occupied Housing Units by Income Level of Tract	.2%	20.6%

\* Based on July 1998 D&B economic data.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN DANVILLE ASSESSMENT AREA:**

**LENDING TEST**

First Virginia Bank-Southwest Loan Originations/Purchases										
	Loans in Low-Income Tracts		Loans in Moderate-Income Tracts		Loans to Low-Income Borrowers		Loans to Moderate-Income Borrowers		Loans to Businesses with Revenues ≤ \$1 Million	
	#	%	#	%	#	%	#	%	#	%
Small Business	1	1.5%	9	13.0%	NA	NA	NA	NA	66	95.7%
HMDA	0	0%	51	19.2%	46	17.3%	52	19.6%	NA	NA
Consumer	9	.4%	371	14.9%	503	24.9%	504	24.9%	NA	NA
1999 Aggregate Loan Originations/Purchases										
Small Business		5.8%		13.4%		NA		NA		68.3%
HMDA		.5%		16.9%		10.7%		22.2%		NA

Additionally, the bank extended ten small farm loans (.3% of total market loans) totaling \$70,000 within the assessment area. Small farm loans were not evaluated due to the small volume reported within this market.

Community Development Loans

To the extent the bank originated any community development loans, such financing has been reported as small business or HMDA loans.

**INVESTMENT TEST**

Qualified donations totaling \$2,355 were provided to a variety of local organizations, including those that primarily serve low- and

moderate-income residents of this assessment area. These contributions supplement the statewide investments made by the institution.

## **SERVICE TEST**

The bank operates six offices and three ATMs. Several branches offer Saturday hours and have drive-thru facilities that are open extended hours. Since the previous evaluation, a branch (Ridge Street Branch) was closed in a low-income census tract within the City of Danville. Management decided to close this location due to the continued decline in deposits and loan production at this office. Furthermore, customer traffic in the branch had steadily declined, dropping 21% in the previous four years. Management indicated that the Ridge Street branch was no longer profitable to operate and, consequently, decided to close the location. The bank, however, continues to operate five other branch offices throughout the city; one of the locations is within three miles of the closed facility. Bank personnel are not involved in any community development services specific to this assessment area.

## **NONMETROPOLITAN STATEWIDE AREAS**

(if some or all of the assessment areas within the nonmetropolitan area were reviewed using the examination procedures)

## **DESCRIPTION OF INSTITUTION'S OPERATIONS IN RADFORD ASSESSMENT AREA:**

This assessment area includes Bland, Carroll, Floyd, Franklin, Giles, Grayson, Montgomery, Pulaski, Tazewell, and Wythe Counties and the Cities of Galax and Radford, Virginia. This nonmetropolitan market contains 74 census tracts or block numbering areas (BNAs), of which 67 are populated. One of the geographies, however, consists of Virginia Polytechnic Institute, a higher education facility, and consequently, does not contain any families or median family income. Of the 66 census tracts/BNAs populated with families, one is low-income, eight are moderate-income, 49 are middle-income, and eight are upper-income. The one low-income geography, however, only has a population of 36 and contains 16 owner-occupied units, which is approximately .01% of the total market population and owner-occupied housing within the assessment area. Consequently, no loans were originated within this census tract by the bank or its peers, and this geography will not be reflected in the following lending analysis.

According to 1990 census data, this market has a population of 319,751 and a median housing value of approximately \$55,132. The owner-occupancy rate for the assessment area is 72.0%, which is somewhat lower than the 73.6% rate for the nonmetropolitan portions of the Commonwealth. The percentage of assessment area families living below the poverty level is 11.6%, which is substantially higher than the statewide poverty rate of 7.7%. The 1999 and 2000 median family incomes for nonmetropolitan areas within Virginia are \$38,300 and \$39,800, respectively.

The following table provides demographics for the nonmetropolitan assessment area by the income level of families and the percentage of population and owner-occupied housing units in census tracts of varying income levels. Poverty rates are also provided. For the year 2000, 92.3% of businesses and 98.4% of farms within the assessment area reported revenues of \$1 million or less.

Assessment Area Demographics

	Low- Income	Moderate -Income	Middle- Income	Upper- Income	Total
Percentage of Area Families by Income Level	21.0%	19.0%	23.0%	37.0%	100%
Percentage of Population Residing in Census Tracts/BNAs by Income Level	0%	13.2%	76.6%	10.2%	100%
Percentage of Owner- Occupied Housing Units by Income Level of Tract/BNA	0%	13.3%	77.5%	9.2%	100%
Percentage of Businesses Located in Census Tracts/BNAs by Income Level*	.3%	7.2%	79.1%	13.4%	100%
Percentage of Families Below Poverty Rate by Income Level of Tract/BNA	0%	17.9%	11.2%	6.7%	NA

\* Based on July 1998 D&B economic data.



The assessment area is located in the southwestern portion of the Commonwealth and is primarily rural. Employment opportunities are afforded by local government and educational facilities, as well as manufacturing, service, and agricultural industries. The unemployment rates for the cities and counties of the assessment area are depicted below.

<u>City or County</u>	<u>Unemployment Rates for May 2001</u>	<u>City or County</u>	<u>Unemployment Rates for May 2001</u>
Bland County	5.2%	Grayson County	7.1%
Carroll County	7.5%	Montgomery County	2.1%
Floyd County	2.8%	Pulaski County	7.2%
Franklin County	2.7%	Radford City	2.9%
Galax City	3.8%	Tazewell County	3.2%
Giles County	4.4%	Wythe County	8.2%

The majority of these unemployment rates are well above the Commonwealth of Virginia's unemployment rate of 2.2% and reflect a somewhat depressed economy for the area.

The bank operates 38 branches within this community and has a deposit market share of 17.0%, ranking first in the area. The Radford assessment area accounts for 55.5% of the total number of loans and 52.3% of dollar volume originated during the review period.

Within the assessment area, First Virginia Bank-Southwest has a market share of 13.4% of small business lending and is the second largest business lender within the market. For mortgage lending, the institution is the largest lender with an 11.1% market share.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN RADFORD ASSESSMENT AREA:**

### **LENDING TEST**

#### Lending Activity

The proportion of bank lending in the assessment area is consistent with the percentage of bank branches (58.5%) and deposits (55.0%) in the assessment area.

## Geographic Distribution of Loans

The geographic distribution of loans is reflected in the following tables.

### Distribution of Consumer Loans by Income Level of Census Tract/BNA

	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	2,865	15,623	1,789	20,277
Percentage of Total Loans	14.1%	77.1%	8.8%	100%
Total Amount of Loans (000's)	\$20,603	\$124,872	\$16,288	\$161,763
Percentage of Total Amount	12.7%	77.2%	10.1%	100%

Consumer lending within moderate-income census tracts (14.1%) is slightly higher than the percentage of population (13.2%) residing in such tracts. Taking into the account the poverty rate (17.9%) in moderate-income tracts, this level of lending is considered good.

### Distribution of HMDA Loans by Income Level of Census Tract/BNA

	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	267	1,365	112	1,744
Percentage of Total Loans	15.3%	78.3%	6.4%	100%
Total Amount of Loans (000's)	\$8,337	\$54,140	\$5,581	\$68,058
Percentage of Total Amount	12.2%	79.6%	8.2%	100%

The review of HMDA loans extended within this assessment area revealed that the institution had an excellent level of lending within moderate-income census tracts. The level of lending (15.3%) exceeds the percentage of owner-occupied housing units (13.3%), as well as the aggregate level of lending (7.8%) in such tracts. When compared to the market aggregate and percentage of owner-occupied units, the bank's HMDA lending within this assessment area is considered excellent.

Distribution of Small Business Loans by Income Level of Census Tract/BNA

	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	53	612	101	766
Percentage of Total Loans	6.9%	79.9%	13.2%	100%
Total Amount of Loans (000's)	\$2,044	\$28,310	\$6,350	\$36,704
Percentage of Total Amount	5.6%	77.1%	17.3%	100%

First Virginia Bank-Southwest's small business loan penetration in low- (0%) and moderate-income (6.9%) census tracts is comparable to D&B data which indicates that within the assessment area .3% and 7.2% of commercial entities are located in such tracts, respectively. As mentioned previously, no loans were extended in low-income geographies by any reporting institution. A review of the 1999 small business aggregate data revealed a 7.8% penetration in moderate-income tracts. The bank's lending in moderate-income tracts is comparable to aggregate lending, as well as the demographic data, indicating a good level of performance.

Distribution of Small Farm Loans by Income Level of Census Tract/BNA

	Moderate- Income	Middle- Income	Upper-Income	Total
Total Number of Loans	7	103	7	117
Percentage of Total Loans	6.0%	88.0%	6.0%	100%
Total Amount of Loans (000's)	\$122	\$2,513	\$73	\$2,708
Percentage of Total Amount	4.5%	92.8%	2.7%	100%

A review of the 1999 small farm aggregate data revealed a 5.8% penetration in moderate-income tracts. The bank's lending in moderate-income tracts (6%) is consistent with aggregate lending in such geographies. The bank's small farm lending is good when compared to market data.

The overall geographic loan distribution (consumer, HMDA, small business, and small farm) within this assessment area is considered good given the institution's size, branch locations, and the effective demand for credit.

Borrower Profile

The distribution of loans by income level of borrower and size of business/farm is reflected in the following tables.

Distribution of Consumer Loans by Income Level of Borrower

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	4,328	4,864	4,328	4,410	17,930
Percentage of Total Loans	24.2%	27.1%	24.1%	24.6%	100%
Total Amount of Loans (000's)	\$18,942	\$35,986	\$39,296	\$62,622	\$156,846
Percentage of Total Amount	12.1%	22.9%	25.1%	39.9%	100%

The volume of consumer loans to low-income (24.2%) and moderate-income (27.1%) borrowers exceeds the percentage of low-income (21%) and moderate-income (19%) persons residing in the assessment area. Overall lending to low- and moderate-income borrowers constitutes an excellent distribution.

Distribution of HMDA Loans by Income Level of Borrower

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	203	416	515	598	1,732
Percentage of Total Loans	11.7%	24%	29.8%	34.5%	100%
Total Amount of Loans (000's)	\$3,667	\$11,650	\$18,402	\$33,802	\$67,521
Percentage of Total Amount	5.4%	17.2%	27.3%	50.1%	100%

Within the assessment area, the institution provided 11.7% of its HMDA loans to low-income borrowers, which exceeds market aggregate lending (9.2%) but is below the percentage of such families (21%) residing in the assessment area. The bank's level of lending to moderate-income borrowers (24%), however, exceeds both the aggregate lending (19.8%) and the percentage of such

families (19%) residing in the market. The overall distribution of HMDA loans to low- and moderate-income borrowers is considered good.

Distribution of Lending by Loan Amount and Size of Business

	\$0 - \$100,000		>\$100,000 to \$250,000		> \$250,000		Total	
Number Total Revenues ≤ \$1 Million	643	84%	47	6.1%	17	2.2%	707	92.3%
Number Total Revenues > \$1 Million	41	5.3%	13	1.7%	5	.7%	59	7.7%
Totals	684	89.3%	60	7.8%	22	2.9%	766	100%

Of the 766 small business loans extended in the assessment area, 92.3% were provided to businesses with revenues of \$1 million or less. Additionally, 84% of the loans were to borrowers with revenues \$1 million or less and in amounts less than \$100,000. According to data for the year 2000, 92.3% of all assessment area businesses generated revenues of \$1 million or less. The 1999 aggregate lending data indicated that 69.3% of the small business lending was to entities with revenues of \$1 million or less; however, the remaining loans were either to businesses with revenues over \$1 million or the revenue is unknown. The bank's performance is considered excellent.

Of the 117 small farm loans extended by the bank, 114 (97.4%) were to farms with revenues of \$1 million or less. Data for the year 2000 indicates that 98.4% of all assessment area farms generated revenues of \$1 million or less. Based on the number of small businesses/farms within this assessment area and aggregate data, the bank's level of lending to such entities is considered excellent.

Given the products offered by the institution, the distribution of loans to borrowers of different income levels and to businesses of different sizes is considered good and responsive to community credit needs using aggregate data and area demographics as proxies for demand.

Community Development Loans

The bank originated the following six qualified community development loans within the Radford assessment area since the previous examination:

- A \$150,000 loan to the Pearisburg Community Development Corporation to provide financing for the construction/development of 20 acres of land into affordable single-family homes for low- and moderate-income families.
- A \$1.4 million loan for the construction/renovation of a 43-unit apartment complex in Pulaski County. Residents will be restricted to elderly and/or disabled individuals with incomes less than 50% of the median income level.
- A \$83,000 line of credit to the Giles County Housing and Development Corporation to construct a home in Narrows, Virginia, that will be targeted to a moderate-income borrower. This is a nonprofit organization that was established to coordinate and administer low- and moderate-income housing projects.
- A \$400,000 loan for the construction of eight single-family homes in Wytheville, Virginia, to be utilized as affordable housing for low-income, disadvantaged individuals. Repayment will be from Low Income Housing Tax Credits and various governmental loan programs, including a grant from the Federal Home Loan Bank of Atlanta's Affordable Housing Program.
- A \$175,000 loan to purchase a new building for a non-profit organization in Tazewell, Virginia, which supplies food and home repairs for low- and moderate-income individuals.

## **INVESTMENT TEST**

In addition to its statewide investments, the bank has made donations to a number of local organizations that have a community development purpose. The institution has also routinely made contributions to organizations that serve primarily low- and moderate-income residents of the assessment area. These organizations include, but are not limited to, Support to Eliminate Poverty, We Care Franklin County, Salvation Army, Free Clinic of Franklin County, Pulaski Headstart, Christiansburg Bluff Apartments (Section 8 Housing), and the Franklin County Department of Social Services. Since the previous examination, \$24,285 in donations were provided to organizations that primarily serve small businesses and/or low- and moderate-income residents of the assessment area.

## **SERVICE TEST**

Systems for delivering retail-banking services appear effective and available to all portions of the assessment area, including low- and moderate-income areas. Furthermore, the bank's provision of community development services within the market area is considered responsive to local needs.

### Accessibility of Delivery Systems

Delivery systems are accessible to all portions of the assessment area. Twenty-one automated teller machines (ATMs) are available and, through a network, provide customers with 24-hour nationwide access. Four (19%) of the bank's ATMs are located in moderate-income geographies. Bank-by-mail and bank-by-computer services are also offered by the institution for deposit and lending products. In addition, First Virginia Bank provides customers with 24-hour telephone access to their accounts.

### Branch Locations and Hours of Operation

The institution has 38 offices within this assessment area, of which seven (18.4%) are located in moderate-income geographies. Branch locations and business hours are considered convenient and meet the needs of the assessment area. Most branches offer Saturday hours and have drive-thru facilities that are open extended hours. Since the previous examination, four branch offices have been closed and one has opened. All the closed offices were located in middle-income geographies. As previously mentioned, a branch closing policy has been adopted as required by the Federal Deposit Insurance Corporation Improvement Act of 1991.

### Community Development Services

The institution provides financial expertise to numerous community development organizations that assist lower income residents by revitalizing targeted communities and by providing affordable housing options. In particular, bank officers serve on the following organizations:

- Habitat for Humanity, Board of Directors and Finance Committee Members - This organization assists in constructing decent, affordable housing to low- and moderate-income families.
- Support to Eliminate Poverty (STEP), Treasurer - This organization initiates programs to combat the underlying causes of poverty and works to improve the quality of life for low-income residents.



- Free Clinic of Franklin County, Chairman of Finance Committee - The clinic provides affordable, quality health care to lower-income individuals.
- Good Samaritan Food Pantry, Treasurer - This organization provides meals to low-income area residents.
- Mountain Shelter, Inc., Director - This organization provides housing to low-income individuals in Wythe County.

**NONMETROPOLITAN STATEWIDE AREAS**

(if none of the assessment areas within the nonmetropolitan statewide area were reviewed using the examination procedures)

The Covington nonmetropolitan assessment area was not reviewed using the examination procedures. Performance under the lending, investment, and service tests was in each case consistent with the bank’s overall level of performance. Facts and data reviewed, including performance and demographic information, can be found in the following tables.

**DESCRIPTION OF INSTITUTION'S OPERATIONS IN COVINGTON ASSESSMENT AREA:**

This assessment area includes Alleghany and Bath Counties and the Cities of Covington and Clifton Forge, Virginia. The area includes 16 census tracts/BNAs, of which nine are unpopulated. Of the seven populated tracts, six are middle-income and one is upper-income. There are no low- or moderate-income geographies within this assessment area. Approximately 18.9% of area families are considered low-income and 17.8% are moderate-income. For the year 2000, 93.8% of businesses within the assessment area reported revenues of \$1 million or less.

Assessment Area Demographics

Tracts in Assessment Area/Low-and Moderate-Income Tracts/BNAs	7/0	Median Family Income (2000)	\$39,800
Population	29,645	Poverty Rate (Families)	9.3%
Median Housing Value	\$43,412	Owner-Occupancy Rate	74%
% of Businesses with Revenues ≤ \$1 million			93.8%

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN COVINGTON ASSESSMENT AREA:**

## LENDING TEST

First Virginia Bank-Southwest Loan Originations/Purchases						
	Loans to Low-Income Borrowers		Loans to Moderate-Income Borrowers		Loans to Businesses with Revenues $\leq$ \$1 Million	
	#	%	#	%	#	%
Small Business	NA	NA	NA	NA	34	87.2%
HMDA	24	10.6%	49	21.6%	NA	NA
Consumer	607	28.0%	551	25.4%	NA	NA
1999 Aggregate Loan Originations/Purchases						
Small Business		NA		NA		66.3%
HMDA		10.7%		22.9%		NA

Additionally, the bank extended one small farm loan (<.1%) totaling \$10,000 within the assessment area. Small farm loans were not evaluated due to the small volume reported within this market.

## INVESTMENT TEST

In addition to the statewide investments, qualified donations totaling \$550 were provided to a variety of organizations within the assessment area.

## SERVICE TEST

The bank operates two ATMs and four offices. Several branches offer Saturday hours and have drive-thru facilities that are open extended hours. No branch locations have been opened or closed since the previous evaluation. The services offered in this assessment area are substantially the same as the services available to other communities the bank serves. In particular, bank officers serve as directors and loan committee members of Total Action Against Poverty "This Valley Works" and as president of the Bath County Need Committee, which is an emergency response organization for low-income residents.

## APPENDIX A – Scope of Examination

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION	
ASSESSMENT AREA	TYPE OF EXAMINATION
Roanoke	Full Procedures
Lynchburg	Limited Procedures
Danville	Limited Procedures
Radford	Full Procedures
Covington	Limited Procedures

## APPENDIX B - Glossary

The following terms are used throughout this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Assessment Area** - A delineated community including the geographies in which the bank has its main office, branches, and deposit-taking Automated Teller Machines (ATMs). As well as the surrounding geographies in which the bank has originated or purchased a substantial portion of its loans, including home mortgage loans, small-business and small-farm loans, and any other loans on which the bank chooses to have its performance assessed.

**Block Numbering Area (BNA)** - Statistical subdivisions of counties in which census tracts have not been established. BNAs have been established by the United States Census Bureau in conjunction with state agencies.

**Census Tract** - Small, locally defined areas within metropolitan statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A census tract has defined boundaries per ten-year census and

an average population of 4,000.

**Community Development** - Initiatives in the form of loans, investments, or services which provide for the following:

Affordable housing for low- or moderate-income individuals;

Community services targeted to low- or moderate-income individuals;

Activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or

Activities that revitalize or stabilize low- or moderate-income geographies.

Community development activities generally cannot be double counted, for example, loans required for reporting as small business, small farm, or home mortgage (except for multifamily housing) cannot also be reported as community development loans.

**Community Reinvestment Act (CRA)** - The statute requiring the federal financial supervisory agencies to assess an institution's record of helping to meet the credit needs of the local communities in which the institution is chartered, consistent with the safe and sound operation of the institution, and to take this record into account in the agency's evaluation of an application for a deposit facility by the institution.

**Geography** - A census tract or a block numbering area as delineated by the United States Census Bureau.

**Home Mortgage Disclosure Act (HMDA)** - The statute that requires most mortgage lenders who have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, withdrawn).

**Income Level** includes:

**Low-Income** - Income levels that are less than 50% of the median family income.

**Moderate-Income** - Income levels that are at least 50% and less than 80% of the median family income.

**Middle-Income** - Income levels that are at least 80% and less than 120% of the median family income.

**Upper-Income** - Income levels that are 120% or more of the median family income.

**Median Family Income** - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Statistical Area (MSA)** - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction. Two or more MSAs having a population of one million or more residents may be recognized as a **consolidated metropolitan statistical area (CMSA)** if the individual MSAs demonstrate strong internal, social, and economic ties within the entire area. The individual MSAs included in a CMSA are then referred to as **primary metropolitan statistical areas (PMSA)**.

**Small Business Loans** - Loans with original amounts of \$1 million or less that are secured by nonfarm nonresidential properties or commercial and industrial loans to U. S. addresses.

**Small Farm Loans** - Loans with original amounts of \$500 thousand or less that are secured by farmland or to finance agricultural production and other loans to farmers.