

PUBLIC DISCLOSURE

October 6, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Virginia Bank-Clinch Valley

05512325

P. O. Box 878

Richlands, Virginia 24641

Federal Reserve Bank of Richmond

P. O. Box 27622

Richmond, Virginia 23261

This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each Federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institutions 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institutions record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of First Virginia Bank-Clinch Valley, Richlands, Virginia, prepared by The Federal Reserve Bank of Richmond, the institutions supervisory agency, as of October 6, 1997. The agency evaluates performance in the assessment area as delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all, of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A of 12 CFR Part 228.

INSTITUTIONS CRA RATING: This institution is rated Satisfactory.

First Virginia Bank-Clinch Valley primarily serves its assessment area through direct lending and offers a variety of credit products. A majority of the banks loans were originated within the assessment area, and the geographic distribution of loans is considered reasonable. Furthermore, the banks lending to low- and moderate-income individuals and businesses with revenues less than \$1 million meets expected performance in relation to area demographics. The institutions level of responding to community development needs through its investment activities is considered more than reasonable. Delivery systems and branch locations are considered readily accessible, and participation in community development services is considered reasonable.

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

<u>First Virginia Bank-Clinch Valley</u>			
PERFORMANCE LEVELS	PERFORMANCE TESTS		
	LENDING TEST *	INVESTMENT TEST	SERVICE TEST
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.

DESCRIPTION OF INSTITUTION:

First Virginia Bank-Clinch Valley operates three offices in Buchanan, Russell, and Tazewell Counties, Virginia. The institutions parent holding company, First Virginia Banks, Inc., is located in Falls Church, Virginia. As of September 30, 1997, the bank had \$77 million in assets of which 74% were loans. The loan portfolio as of this date was comprised of 37% real estate secured (including consumer and business), 5% commercial/agricultural, 57% consumer, and 1% other. The bank's previous CRA rating was satisfactory.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

LENDING TEST

The bank primarily serves its assessment area through direct lending and offers a variety of credit products. During a six-quarter period ending September 1997, the quarterly average loan-to-deposit ratio for all banks headquartered in nonmetropolitan areas of Virginia and of similar asset size to First Virginia Bank-Clinch Valley ranged from 66% to 72%. The bank's average loan-to-deposit ratio for the previous six quarters is 85% and is considered more than reasonable given the institutions size, location and financial capacity.

As identified in the CRA Public File, a full range of credit products is offered including loans for small business, commercial, consumer, residential mortgage, home improvement, residential construction, and agricultural purposes. Long-term mortgages and Government sponsored loans are offered through the bank's two mortgage affiliates, First Virginia Mortgage Company (FVMC) and First General Mortgage Company (FGMC).

The following chart depicts the bank's lending activity from January 1, 1996, through June 30, 1997, by number, dollar amount, and percentage for the types of credit listed. The table also includes loan activity originated within the bank's assessment area by its bank and mortgage affiliates.

First Virginia Bank-Clinch Valley Loan Originations 1-1-96 to 6-30-97				
Description	Total Number of Loans	Percentage of Lending	Total Dollar Amount (000s)	Percentage of Lending
Small Business/ Small Farm*	253	6%	\$4,912	9%
Home Equity	75	2%	\$2,554	5%
Motor Vehicle	2,525	58%	\$33,731	62%
Other Consumer Secured	630	14%	\$4,918	9%
Other Consumer Unsecured	699	16%	\$1,365	3%
Mortgage	164	4%	\$6,757	12%
Totals	4,346	100%	\$54,237	100%

* Information about these loans is required to be collected by the institution.

As illustrated above, exclusive of mortgage loans, the majority of the number (90%) and dollar amount (79%) of loan originations was for consumer purposes. The institutions lending activity is considered responsive to assessment area credit needs.

The institutions volume of lending, exclusive of affiliate loans, from January 1, 1996, to June 30, 1997, is represented in the following table by number and dollar amounts.

Comparison of Credit Extended Inside and Outside the Assessment Area

	Small Business/Farm*		Consumer		Mortgage		Total	
	Inside	Outside	Inside	Outside	Inside	Outside	Inside	Outside
Number of Loans	227	11	2,441	967	143	7	2,811	985
Percentage of Loans	95%	5%	72%	28%	95%	5%	74%	26%
Amount of Loans (000s)	\$4,350	\$331	\$22,774	\$12,698	\$5,331	\$309	\$32,455	\$13,338
Percentage of Amount	93%	7%	64%	36%	95%	5%	71%	29%

* Information about these loans is required to be collected by the institution.

As presented above, a majority of the number (74%) and dollar amount (71%) of total loans have been provided to area residents. Furthermore, a substantial portion of small business/farm (95%) and mortgage (95%) loans were originated within the assessment area. Overall, the percentage of loans extended within the banks assessment area is considered responsive to community credit needs.

The geographic distribution of loans is discussed in detail later in this evaluation and is considered reasonable. The banks lending to low- and moderate-income individuals and businesses with revenues of less than \$1 million meets expected performance in relation to area demographics. In addition, the institution has demonstrated a responsiveness to the credit needs of its market area through product flexibility, including offering Government sponsored loan programs.

The overall rating of the institution under the lending test is high satisfactory.

INVESTMENT TEST

The institutions level of responding to community development needs through its investment activities is rated high satisfactory. The bank has investments in qualified organizations and provides donations to a variety of associations that benefit low- and moderate-income individuals.

SERVICE TEST

The overall rating of the institution under the service test is high satisfactory. Delivery systems, branch locations, and the hours of operation are considered readily accessible and convenient to all portions of the assessment area. The bank's participation in community development services is considered reasonable.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS

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

NONMETROPOLITAN ASSESSMENT AREA

(for nonmetropolitan areas with some or all assessment areas reviewed using the examination procedures)

DESCRIPTION OF THE INSTITUTIONS OPERATIONS IN ASSESSMENT AREA:

First Virginia Bank-Clinch Valley serves one assessment area which encompasses all of Buchanan and Tazewell Counties and a portion of Russell County, Virginia. Within Russell County, block numbering areas (BNAs) 9901, 9904, and 9905 are included within the assessment area. A total of 21 BNAs comprise the local community, of which 11 are moderate-income and ten are middle-income. The bank's market contains no low- or upper-income BNAs. According to 1990 census data, the assessment area has a population of 92,508 and a median housing value of approximately \$46,957. The owner-occupancy rate of 72% for the assessment area is higher than the owner-occupancy rate of 65% for nonmetropolitan areas of Virginia. In addition, the concentration of mobile homes in the assessment area (28%) is nearly double that of nonmetropolitan Virginia (15%). The 1997 median family income for nonmetropolitan areas of Virginia is \$34,800.

The following table provides demographics for the assessment area by the income level of families and the percentage of population living in BNAs of varying income levels.

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Percentage of Area Families by Income Level	29%	21%	20%	30%	100%
Percentage of Population Residing in Census Tracts by Income Level of Tract	0%	52%	48%	0%	100%

Buchanan, Russell, and Tazewell Counties are located in the southwest portion of the Commonwealth along the West Virginia border. Although employment opportunities are provided by service, manufacturing, and agricultural enterprises, the local economy has historically relied heavily on the declining coal mining industry. The limited employment opportunities and few new industries are reflected in the area's high unemployment rates. As of September 1997, the unemployment rates for the respective Counties of Buchanan, Tazewell, and Russell were 14.1%, 8.9%, and 10.4%. These rates are substantially higher than the Commonwealth's jobless rate of 4.1%.

A community contact was recently made with a representative from a local economic development organization to further assist in evaluating the bank's CRA performance. The contact expressed concern about the future economic viability of the area and indicated that local banks are adequately meeting the credit needs of the market area.

CONCLUSION WITH RESPECT TO PERFORMANCE TESTS IN ASSESSMENT AREA:

LENDING TEST

Geographic Distribution of Loans

The geographic distribution of loans is reflected in the following tables. The tables represent the institutions lending within the assessment area according to the income level of the BNA. As previously mentioned, the bank's local community contains no low- or upper-income BNAs.

Distribution of Small Business/Farm Loans by Income Level of the BNA
(Includes Affiliate Lending)

	Moderate- Income	Middle- Income	Total
Total Number of Loans	99	143	242
Percentage of Total Loans	41%	59%	100%
Total Amount of Loans (000s)	\$2,061	\$2,521	\$4,582
Percentage of Total Loans	45%	55%	100%

Distribution of Consumer Loans by Income Level of the BNA
(Includes Affiliate Lending)

	Moderate- Income	Middle- Income	Total
Total Number of Loans	1,314	1,648	2,962
Percentage of Total Loans	44%	56%	100%
Total Amount of Loans (000s)	\$13,010	\$16,857	\$29,867
Percentage of Total Loans	44%	56%	100%

Distribution of Mortgage Loans by Income Level of the BNA
(Includes Affiliate Lending)

	Moderate- Income	Middle- Income	Total
Total Number of Loans	66	91	157
Percentage of Total Loans	42%	58%	100%
Total Amount of Loans (000s)	\$2,275	\$4,174	\$6,449
Percentage of Total Loans	35%	65%	100%

Overall, 44% (1,479/3,361) of the banks loans originated within the assessment area were extended to individuals and businesses located in moderate-income BNAs. This level of lending is slightly lower than the proportion of the population (52%) residing in such geographies.

Given the local economic conditions and the size and location of the institution, the banks overall loan distribution is considered satisfactory.

Borrower's Profile

The following charts illustrate the distribution of consumer and small business/farm loans extended in the assessment area by income level of the borrower or to businesses of different sizes.

Distribution of Consumer Loans by Income Level of Borrower
(Includes Affiliate Lending)

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	388	708	862	942	2,900
Percentage of Total Loans	13%	24%	30%	33%	100%
Total Amount of Loans	\$2,556	\$5,314	\$8,109	\$13,558	\$29,537
Percentage of Total Amount	9%	18%	27%	46%	100%

As depicted in the table above, the percentage of consumer loans (37%) extended to low- and moderate-income borrowers is lower than the representation of such families (50%) living within the assessment area. Affiliate mortgage lending was also analyzed by income level of the borrower. Of the 14 mortgage loans originated within the assessment area by affiliates from January 1, 1996, through June 30, 1997, 14% (2/14) were extended to moderate-income borrowers.

The bank also provides several products which target low- and moderate-income residents. First Virginia Bank-Clinch Valley is an approved Federal Housing Authority Title I home improvement lender. This program has less stringent underwriting criteria than traditional financing and requires little or no equity in the property to be improved. Three loans totaling \$27,650 have been extended under this program since the previous evaluation.

Mobile homes often provide housing for low- and moderate-income families, and as previously mentioned, mobile home occupancy is substantially higher in the assessment area than in nonmetropolitan areas of Virginia. Since the previous evaluation, 33 mobile home loans totaling \$439,637 have been provided.

In addition, the institution is active in providing Government guaranteed student loans through the Stafford and Plus programs. A total of 71 Stafford and Plus loans for \$262,193 have been provided to eligible students since the previous evaluation.

Distribution of Lending by Loan Amount and Size of Business or Farm
(Includes Affiliate Lending)

	\$0 - \$100,000		>\$100,000 - \$250,000		>\$250,000		Total	
Total Revenues ≤ \$1 Million	231	98%	2	1%	1	< 1%	234	99%
Total Revenues > \$1 Million	2	1%	0	0%	0	0%	2	1%
Totals	233	99%	2	1%	1	< 1%	236	100%

As illustrated above, 99% (234/236) of the small business/farm loans in the assessment area were provided to businesses with revenues of \$1 million or less. Furthermore, 98% of the 236 small business/farm loans were to borrowers with revenues not exceeding \$1 million and for an amount of \$100,000 or less. The bank continues to offer Small Business Administration (SBA) loans although no such loans have been extended since the previous evaluation.

Given the product lines offered by the institution and its affiliates, the distribution of loans to borrowers of different income levels and to businesses of different sizes is considered more than reasonable and reflects the bank's efforts to meet the credit needs of all segments of its community.

Community Development Loans

To the extent the bank may have originated any additional loans for community development purposes, such financing has been reported as small business loans or mortgage loans.

INVESTMENT TEST

The bank has invested \$380,000 in the Virginia Housing Development Authority (VHDA). The VHDA acts as a public mortgage lending institution assisting low- and moderate-income people with various housing needs including single-family home financing, rental housing funding, and the administration of Federal Section 8 subsidies.

In addition, contributions totaling \$3,000 were provided to several organizations or programs which primarily serve low- and moderate-income residents of the assessment area. These donations include:

- C Good Samaritan Food Pantry which provides food to low- and moderate-income families and individuals.
- C Southwest Community College, a scholarship fund contribution which aids needy students with education costs.
- C Richlands High School Scholarship Fund which assists local low- or moderate-income students in financing college expenses.

SERVICE TEST

Accessibility of Delivery Systems

Delivery systems are accessible to all portions of the assessment area. Automated Teller Machines (ATMs) are located at each of the three branches. These ATM locations provide local residents with 24-hour nationwide network access. One of the ATMs is located at a branch within a moderate-income BNA. Telephone and mail banking services are also available to provide customers with greater accessibility.

Branch Locations and Hours of Operation

Branch locations and business hours are considered convenient and meet the needs of the assessment area with two branches offering Saturday hours. All three branches maintain lobby hours until 6:00 p.m. on Fridays. First Virginia Bank-Clinch Valley's branches are accessible to all areas of the community, and as previously mentioned, one is located within a moderate-income BNA. While no branches have been opened or closed since the previous evaluation, a branch closing policy has been adopted as required by the Federal Deposit Insurance Corporation Improvement Act of 1991.

Community Development Services

The bank provides Government check cashing for noncustomers at no charge. Free checking is provided to senior citizens, students, or to customers who receive at least one direct deposit per month.

The institution's provision of community development services is considered reasonable given the demographics and opportunities available within the assessment area.