

**PUBLIC DISCLOSURE**

October 27, 1997

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First Virginia Bank - Franklin County

05512500

P. O. Box 190

Rocky Mount, Virginia 24151

**Federal Reserve Bank of Richmond**

**P. O. Box 27622**

**Richmond, Virginia 23261**

NOTE: 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 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of First Virginia Bank - Franklin County, Rocky Mount, Virginia, prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of October 27, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A of 12 CFR Part 228.

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

The bank primarily serves its assessment area through direct lending and offers a variety of credit products. A substantial majority of the bank's loans were extended within the assessment area, and the geographic distribution of loans is considered reasonable. The bank's lending to low- and moderate-income individuals meets standards for satisfactory performance. In addition, the volume of lending to businesses with revenues less than \$1 million demonstrates that the bank is highly responsive to the credit needs of local small businesses. The bank has purchased bonds and provided contributions that assist low-income individuals and families. The institution's level of responding to community development needs through its investment activities is considered satisfactory. Delivery systems and branch locations are readily accessible and participation in community development services is considered reasonable.

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

<u>First Virginia Bank - Franklin County</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 - Franklin County operates six branches throughout Franklin County, Virginia, with its main office located in the Town of Rocky Mount. The institution is a subsidiary of First Virginia Banks, Inc., a multibank holding company located in Falls Church, Virginia. As of June 30, 1997, the bank had \$126 million in assets, of which 74% were loans. The loan portfolio as of this date was comprised of 54% real estate secured (including consumer and business), 9% commercial/agricultural, and 37% consumer. 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. 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 - Franklin County ranged from 71% to 74% for a five-quarter period ending June 1997. The bank's average loan-to-deposit ratio for the previous five quarters is 81% and is considered more than reasonable given the institution's size, location, and financial capacity.

As identified in the CRA Public File, a full range of credit products is offered including small business, commercial, consumer, residential mortgage, home improvement, residential construction, and agricultural loans. The following chart depicts the bank's lending activity since January 1, 1996, 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 - Franklin County Loan Originations/Purchases 1/1/96-6/30/97				
Description	Total Loans	Percent of Lending	Total Dollar Amount (000s)	Percent of Lending
Small Business/Farm*	407	7%	\$10,137	14%
Mortgage	378	6%	\$18,249	25%
Motor Vehicle	2,835	49%	\$30,417	42%
Other Consumer Secured	1,166	20%	\$7,817	10%
Other Consumer Unsecured	898	16%	\$1,844	3%
Home Equity	97	2%	\$4,475	6%
Total	5,781	100%	\$72,939	100%

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

The bank is primarily a retail lender. As illustrated above, excluding mortgage loans, consumer purpose loans accounted for 87% of the number of originations and purchases. Business and agricultural loans also represent a portion of the bank's lending activity. Small business and farm loans accounted for approximately 14% of the total dollar amount extended during this time period.

The bank also serves community credit needs through its mortgage affiliates, First Virginia Mortgage Company (FVMC) and First General Mortgage Company (FGMC). FVMC offers a variety of mortgage products including conventional fixed rate and adjustable rate loans, construction loans, as well as financing through various Government sponsored loan programs. From January 1, 1996, through June 30, 1997, these affiliates originated or purchased 63 mortgage loans totaling \$4.1 million within the assessment area. Included within these figures are Veterans Administration (VA) and Federal Housing Authority (FHA) loans. Since January 1, 1996, one FHA loan for \$39,000 and four VA loans totaling \$397,000 have been extended by FVMC. FHA Title I home improvement loans are also available through First Virginia Bank - Franklin County. These loans require little or no equity in the property to be improved; however, none have been extended since January 1996.

The institution's volume of lending from January 1, 1996, to June 30, 1997, is represented in the following table by number and dollar amounts. Affiliate lending is not included in this table.

Comparison of Credit Extended Inside and Outside of Assessment Area

	Small Business/Farm		Consumer		HMDA Type		Total	
	Inside	Outside	Inside	Outside	Inside	Outside	Inside	Outside
Number of Loans	294	83	3,179	1,221	277	38	3,750	1,342
Percentage of Loans	78%	22%	72%	28%	88%	12%	74%	26%
Amount of Loans (000's)	\$6,740	\$543	\$25,123	\$12,520	\$12,339	\$1,747	\$44,202	\$14,810
Percentage of Amount	93%	7%	67%	33%	88%	12%	75%	25%

As depicted above, a substantial majority of the number (74%) and dollar amounts (75%) of total loans have been provided to area residents. The percentage of loans made in the 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 bank's lending to low- and moderate-income individuals and businesses with revenues less than \$1 million exceeded 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 several government sponsored loan programs.

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

**INVESTMENT TEST**

The institution's level of responding to community development needs through its investment activities is rated high satisfactory. The bank has purchased bonds used to provide affordable housing to low-income individuals and families. In addition, contributions to several organizations that assist low- and moderate-income individuals have been made.

**SERVICE TEST**

The overall rating of the institution under the Service Test is high satisfactory. Delivery systems and branch locations are considered readily accessible and the hours of operation are 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 FRANKLIN COUNTY ASSESSMENT AREA:**

The bank's assessment area is comprised of all of Franklin County and contains nine census tracts. Eight of the census tracts are middle-income areas; one tract is upper-income. There are no low- or moderate-income geographies within Franklin County. According to 1990 census data, the assessment area has a population of 39,549. The owner-occupancy rate for the market area is 68%, which is slightly higher than the 65% rate for the nonmetropolitan portions of the Commonwealth. The 1997 median family income for nonmetropolitan areas within 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 census tracts of varying income levels.

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Percentage of Area Families by Income Level	16%	16%	26%	42%	100%
Percentage of Population Residing in Census Tracts by Income Level of Tract	0%	0%	90%	10%	100%

Franklin County is located in the south central portion of the Commonwealth and is primarily rural. Small manufacturing companies and agriculture support the local economy. Major employers in the county include lumber processing companies, furniture and textile manufacturers, and tobacco and dairy farms. Other employment opportunities are provided in the City of Roanoke which is 25 miles north of the Town of Rocky Mount. The unemployment rate as of September 1997 for Franklin County is 3% which compares favorably to the jobless rate for the Commonwealth of 4.1%.

A community contact was made to further assist in evaluating the bank's CRA performance. According to the contact, local financial institutions are meeting community credit needs.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN FRANKLIN COUNTY ASSESSMENT AREA:**

**LENDING TEST**

Geographic Distribution of Loans

The geographic distribution of loans is reflected in the following tables. The tables represent the institution's lending within the assessment area according to income level of census tract. As previously mentioned, the assessment area contains only middle- and upper-income census tracts.

Distribution of Small Business/Farm Loans by Income Level of Census Tract  
(Includes affiliate lending)

	Middle-Income	Upper-Income	Total
Total Number of Loans	263	61	324
Percentage of Total Loans	81%	19%	100%
Total Amount of Loans (000s)	\$5,409	\$2,167	\$7,576
Percentage of Total Loans	71%	29%	100%

Distribution of Consumer Loans by Income Level of Census Tract  
(Includes affiliate lending)

	Middle-Income	Upper-Income	Total
Total Number of Loans	3,002	765	3,767
Percentage of Total Loans	80%	20%	100%
Total Amount of Loans (000's)	\$24,957	\$7,074	\$32,031
Percentage of Total Loans	78%	22%	100%

Distribution of Mortgage Loans by Income Level of Census Tract  
(Includes affiliate lending)

	Middle-Income	Upper-Income	Total
Total Number of Loans	273	67	340
Percentage of Total Loans	80%	20%	100%
Total Amount of Loans (000's)	\$12,672	\$3,829	\$16,501
Percentage of Total Loans	77%	23%	100%

Overall, 80% (3,538/4,431) of the bank's loans originated within the assessment area were extended to individuals and businesses located in middle-income census tracts. This level of lending is slightly lower than the percentage of the population (90%) residing in such areas but is considered reasonable given local demographics and the size and location of the institution.



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 from January 1, 1996, through June 30, 1997.

Distribution of Consumer Loans by Income Level of Borrower  
(Includes affiliate lending)

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Consumer Loans	1,056	1,010	878	748	3,692
Percentage of Total Loans	29%	27%	24%	20%	100%
Total Amount of Consumer Loans (000's)	\$5,832	\$6,919	\$8,197	\$10,038	\$30,986
Percentage of Total Amount	19%	22%	26%	33%	100%

As depicted in the table above, the percentage of consumer loans (56%) extended to low- and moderate-income borrowers significantly exceeds the percentage of such families (32%) residing in the assessment area.

Affiliate mortgage lending was also analyzed by income level of the borrower. Of the 58 affiliate mortgage loans made within Franklin County, 3% (2/58) and 9% (5/58) were to low- and moderate-income borrowers, respectively. When compared to the percent of such families residing in the assessment area (32%), this level of lending is somewhat low. As previously mentioned, however, the bank is primarily a consumer lender, and mortgage loans comprised only 6% of the total loans originated during this time period.

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	297	93%	8	3%	2	1%	307	97%
Total Revenues > \$1 Million	10	3%	1	<1%	0	0%	11	3%
Total	307	96%	9	3%	2	1%	318	100%

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

As illustrated above, 97% (307/318) of the small business/farm loans in the assessment area were provided to businesses with revenues of \$1 million or less. Furthermore, 93% of the 318 small business/farm loans were to borrowers with revenues not exceeding \$1 million and for an amount of \$100,000 or less. This level of lending indicates that the bank is highly responsive to the credit needs of local small businesses.

First Virginia Bank - Franklin County continues to offer Small Business Administration (SBA) loans including SBA 504 loans in conjunction with the Virginia Asset Financing Corporation. One SBA loan totaling \$27,000 has been made since the previous evaluation. In addition, the institution has originated two loans totaling \$191,000 through the Rural Economic and Community Development Agency since January 1, 1996.

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 reasonable and demonstrates the bank's willingness to meet the credit needs of all segments of its community.

#### Community Development Loans

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

#### **INVESTMENT TEST**

The bank has purchased two Virginia Housing Development Authority bonds totaling \$375,000. These funds are used to provide affordable housing opportunities to low-income residents of Virginia. The bank has also invested in Support to Eliminate Poverty, Inc. (STEP). This organization administers an affordable housing loan program, as well as other programs designed to assist low- and moderate-income individuals within Franklin County.

In addition, contributions totaling \$6,215 were provided to several organizations that primarily serve low- and moderate-income residents. The donations were made to various community service organizations including the following:

- C Salvation Army - provides food, shelter, and clothing to low- and moderate-income families and individuals.
- C We Care of Franklin County, Inc. - serves the needs of low- and moderate-income families by providing clothing and food. Other services such as temporary shelter are also provided to help families requiring emergency assistance.
- C Helping Hands of Franklin County, Inc. - assists unemployed individuals and the economically disadvantaged through job training, job placement, and academic preparedness. Financial and budget counseling is also available through the organization.
- C The Free Clinic of Franklin County - provides primary health care for low-income and uninsured residents of Franklin County.
- C Habitat for Humanity - administers a housing program through which qualified low-income applicants can obtain affordable housing.

C The Developmental Center of Franklin County - provides vocational and social skill training to developmentally disabled Franklin County residents. All of the organizations' clients are low- and moderate-income individuals.

The institution's level of qualified investments is considered reasonable.

## **SERVICE TEST**

### Accessibility of Delivery Systems

Delivery systems are accessible to all portions of the assessment area. Two Automated Teller Machines (ATMs) are located in the assessment area. These ATMs provide local residents with 24-hour nationwide network access. One of the ATMs is a remote facility, separate from the branch locations. Telephone and mail banking services are also available to provide customers with 24-hour accessibility.

### Branch Locations and Hours of Operation

Branch locations and business hours are considered convenient and meet the needs of the assessment area. Five out of six branches offer Saturday hours, and several are open until 6:00 p.m. on Fridays; specific branch hours vary. The bank's offices are accessible to all segments of the community. While no branches have been 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 technical assistance to community development organizations. Specifically, a bank officer serves as the secretary-treasurer and on the finance committee of STEP. As previously mentioned, STEP is an organization which administers an affordable housing loan program, as well as other programs designed to assist low- and moderate-income individuals within Franklin County. The bank also provides financial assistance and loan forms to STEP to facilitate the disbursement of funds to participants of its loan programs. Furthermore, a bank officer serves as the President of the local chapter of Habitat for Humanity; two additional bank employees serve on the finance committee of this organization.

In addition, a bank representative is a member of the loan review committee of the Franklin County Microbusiness Development program. This program is designed to provide loans to small businesses primarily for start-up purposes. The entrepreneurs targeted by the program are low-income and those that would not qualify for traditional small business financing. A bank official also serves as a director of the Developmental Center of Franklin County, a nonprofit training center which provides vocational and social skill training to developmentally disabled adults. All clients served by this agency are low- and moderate-income.

Furthermore, a bank employee reviews the financial records of potential clients of the Free Clinic of Franklin County to determine if income limitations are met. A savings program has also been implemented by the bank in conjunction with the local elementary schools. This program enables children who would otherwise not have access to a bank to open and maintain savings accounts. Other community development services provided by the bank include cashing Government checks for noncustomers at no cost and routinely providing credit counseling and other assistance to many low- and moderate-income individuals in applying for and understanding credit.

The bank's participation in community development services is considered reasonable.

