

**PUBLIC DISCLOSURE**

October 6, 1997

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First Virginia Bank - Commonwealth  
05511243  
4360 George Washington Memorial Highway  
Grafton, Virginia 23692

**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 - Commonwealth, Grafton, Virginia, prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of October 6, 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.

First Virginia Bank - Commonwealth primarily serves its assessment areas through direct lending, and a substantial majority of the bank's loans were originated within these areas. The distribution of lending throughout the markets is considered reasonable with loans originated within geographies of all income levels. Further-more, loans have been extended to customers of different income levels and to businesses of varying sizes. Participation in qualified community development investments has been reasonable. The institution provides a full range of products and services through various means to meet the needs of local residents and businesses.

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

<b>PERFORMANCE</b>		<b><u>First Virginia Bank - Commonwealth</u></b>		
<b>LEVELS</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.

**DESCRIPTION OF INSTITUTION:**

First Virginia Bank - Commonwealth operates 20 branches throughout the eastern portion of Virginia. 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 \$232 million in assets of which 61% were loans. The loan portfolio as of this date was comprised of 59% real estate secured (including consumer and business), 35% consumer, and 6% commercial/agricultural. The previous CRA rating for First Virginia Bank - Commonwealth was satisfactory.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:**

**LENDING TEST**

The bank primarily serves its assessment areas through direct lending and offers a variety of credit products. During a five-quarter period ending September 1997, 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 - Commonwealth ranged from 72% to 76%. The bank's average loan-to-deposit ratio for the previous five quarters is 68% and is considered reasonable given the institution's size, locations, and financial capacity. Demand for credit varies throughout the diverse communities, ranging from urban to rural, served by the institution.

As identified in the CRA Public File, a full range of credit products is offered including consumer, small business, commercial, residential mortgage, home improvement, residential construction, and agricultural loans. Long-term mortgages and Government sponsored real estate loans are offered through the bank's two mortgage affiliates, First Virginia Mortgage Company (FVMC) and First General Mortgage Company (FGMC). From January 1, 1996, through June 30, 1997, FVMC and FGMC originated or purchased 48 mortgage loans totaling \$4.7 million within the bank's three assessment areas.

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. This activity includes loan originations, as well as purchased loans, within the bank's assessment areas by its bank and mortgage affiliates.

First Virginia Bank - Commonwealth* Loan Originations 1-1-96 to 6-30-97				
Description	Total Number of Loans	Percent of Lending	Total Dollar Amount (000s)	Percent of Lending
Small Business/Farm**	319	7%	\$12,685	15%
Home Mortgage Disclosure Act (HMDA)Loans**	560	12%	\$20,581	25%

Motor Vehicle	2,352	48%	\$34,155	41%
Other Consumer Secured	869	18%	\$9,261	11%
Other Consumer Unsecured	576	12%	\$2,605	3%
Home Equity	171	3%	\$4,398	5%
<b>Total</b>	<b>4,847</b>	<b>100%</b>	<b>\$83,685</b>	<b>100%</b>

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

The majority of the number (81%) and dollar amount (60%) of loan originations was for consumer purposes, exclusive of HMDA reported loans. The institution's lending activity is considered responsive to the credit needs of the assessment areas.

Included in the HMDA loan figures are Federal Housing Authority (FHA) and Veterans Administration (VA) loans which are available through FVMC. From January 1996 through June 1997, 21 FHA and VA loans (\$1.3 million) were reported by the mortgage company within the bank's assessment areas. In addition, the bank provides FHA Title I Mobile Home loans and has originated 38 of these loans totaling approximately \$500,000 since January 1996. The institution also processes applications for loans funded through the Virginia Housing Development Authority (VHDA) and extended one such loan during 1996. In addition, First Virginia Bank - Commonwealth continues to offer Small Business Administration (SBA) loans. One SBA loan for \$100,000 has been made since the previous evaluation. These Government sponsored loan programs offer flexible underwriting standards and assist in providing business credit and affordable housing to many low- and moderate-income borrowers.

The institution's 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 of Assessment Areas

	Small Business/Farm		Consumer		HMDA		Total	
	Inside	Outside	Inside	Outside	Inside	Outside	Inside	Outside
Number of Loans	277	29	3,010	552	477	12	3,764	593
Percentage of Loans	91%	9%	85%	15%	98%	2%	86%	14%
Amount of Loans (000's)	\$11,210	\$1,365	\$37,528	\$7,693	\$14,828	\$261	\$63,566	\$9,319
Percentage of Amount	89%	11%	83%	17%	98%	2%	87%	13%

As depicted above, a substantial majority of the number (86%) and dollar amounts (87%) of total loans have been provided to area residents. The percentage of loans made in the assessment areas is considered responsive to community credit needs.

The geographic distribution of loans is discussed in detail later in this evaluation and is considered reasonable with penetration into low- and moderate-income geographies. The bank's lending to low- and moderate-income individuals and businesses with revenues less than \$1 million meets expected performance in relation to area demographics. In addition, the institution has demonstrated responsiveness to the credit needs of its market areas through some product flexibility. The bank's performance under the lending test has been analyzed separately for the metropolitan and nonmetropolitan assessment areas.

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 holds housing bonds that fund housing programs for low- and moderate-income families throughout the Commonwealth. Qualified donations have been

routinely provided to local community groups 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 areas. 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.

### **METROPOLITAN ASSESSMENT AREA**

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

## **DESCRIPTION OF INSTITUTION'S OPERATIONS IN HAMPTON-NEWPORT NEWS-WILLIAMSBURG:**

The bank serves three assessment areas. The first assessment area, which contains 14 branches, encompasses the Cities of Hampton, Newport News, Williamsburg, and Poquoson; Gloucester, James City, Mathews, and York Counties; and census tract 7003.00 in New Kent County. With the exception of New Kent County, this area is included within the Norfolk Metropolitan Statistical Area (MSA). New Kent County is located within the Richmond MSA. The metropolitan market contains 97 census tracts/block numbering areas (BNAs) of which 88 are populated. Of the populated geographies, eight are low-income, 18 are moderate-income, 42 are middle-income, and 20 are upper-income. Two of the low-income census tracts, however, do not contain any households, families, or income. According to 1990 census data, this assessment area has a population of 446,216 and a median housing value of approximately \$87,000. The owner-occupancy rate for the market is 86% which is comparable to that for the Norfolk MSA (88%). The 1997 median family income for the Norfolk MSA is \$43,600.

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

Hampton-Newport News-Williamsburg Assessment Area

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Percentage of Area Families by Income Level	18%	19%	24%	39%	100%
Percentage of Population Residing in Census Tracts/BNAs by Income Level of Tract/BNA	3%	17%	57%	23%	100%

The local economy is well diversified, and primary employment opportunities include the military, construction and real estate development, shipbuilding, retail and wholesale trade, light manufacturing, and tourism. Sixty-eight percent of the assessment area's population resides in the Cities of Newport News and Hampton. The Newport News Shipbuilding and Dry Dock Company, as well as several military installations including Fort Monroe, Fort Eustis, and the Langley Air Force Base, are located within these cities and employ a large portion of area residents. In addition, some of the more rural areas of the market provide jobs in agriculture and seafood production. Unemployment rates in the assessment area range from 2.6% for James City County to a high of 5.5% for the City of Hampton. The current jobless rate for the Commonwealth of Virginia is 4.1%. A community contact was made with a representative from a local housing organization to further assist in evaluating the bank's CRA performance. According to the contact, local financial institutions are actively involved in the local community; however, additional low-interest financing is needed for first-time home buyers.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN HAMPTON-NEWPORT NEWS-WILLIAMSBURG:**

**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 metropolitan assessment area according to income level of census tract or BNA.

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

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	1	9	117	54	181
Percentage of Total Loans	1%	5%	64%	30%	100%
Total Amount of Loans (000s)	\$100	\$100	\$4,212	\$3,341	\$7,753
Percentage of Total Loans	1%	2%	54%	43%	100%

Distribution of Consumer Loans by Income Level of Census Tract/BNA  
(Includes Affiliate Lending)

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	2	81	1,798	742	2,623
Percentage of Total Loans	<1%	3%	69%	28%	100%
Total Amount of Loans (000's)	\$12	\$884	\$22,679	\$10,541	\$34,116
Percentage of Total Loans	<1%	3%	66%	31%	100%



Distribution of HMDA Loans by Income Level of Census Tract/BNA  
(Includes Affiliate Lending)

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	0	15	229	139	383
Percentage of Total Loans	0%	4%	60%	36%	100%
Total Amount of Loans (000's)	\$0	\$492	\$8,798	\$5,711	\$15,001
Percentage of Total Loans	0%	3%	59%	38%	100%

Overall, 3% (108/3,187) of the bank's loans originated within the assessment area were extended to individuals and businesses located in low- and moderate-income geographies. This level of lending is significantly lower than the percentage of the population (20%) residing in such areas. Twenty-three of the 26 populated low- and moderate-income census tracts are located within the Cities of Hampton and Newport News and are primarily situated near the Newport News Shipbuilding and Dry Dock Company and various military installations. The bank does not have branch offices located in close proximity to these areas, and many potential borrowers are serviced by military and shipyard credit unions.

In the previous year, the bank opened two new branches in moderate-income census tracts within the Cities of Newport News and Hampton. One of these locations was opened in October 1996, while the second office was recently opened in October 1997. After the branch office opened in 1996, the bank's lending in low- and moderate-income geographies improved slightly from 2.7% in 1996 to 4.5% during the first half of 1997. The institution's lending performance is expected to continue to improve as these new branch offices become more established in the community.

While the bank did not extend any mortgage loans in low-income census tracts, less than 2% of owner-occupied housing units are located in such geographies. Furthermore, only 12% of the assessment area's owner-occupied housing is located in moderate-income census tracts. Consequently, demand for housing-related loans in such areas is limited.

Given the local economic conditions and the size and locations of the institution, the bank's loan distribution for this assessment area is considered adequate.

## Borrowers' Profile

The following charts illustrate the distribution of consumer, HMDA, and small business/farm loans extended in the metropolitan 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 Consumer Loans	364	515	632	1,033	2,544
Percentage of Total Loans	14%	20%	25%	41%	100%
Total Amount of Consumer Loans (000's)	\$2,931	\$5,494	\$8,336	\$17,166	\$33,927
Percentage of Total Amount	9%	16%	25%	50%	100%

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

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Consumer Loans	28	71	93	185	377
Percentage of Total Loans	7%	19%	25%	49%	100%

Total Amount of Consumer Loans (000's)	\$488	\$2,117	\$3,316	\$8,775	\$14,696
Percentage of Total Amount	3%	14%	23%	60%	100%

As depicted in the previous tables, the percentage of consumer loans (34%) and HMDA loans (26%) extended to low- and moderate-income borrowers is comparable to the percentage of such families (37%) in the assessment area. The bank's mortgage lending to low-income borrowers (7%) is somewhat limited. Much of the housing within the assessment area, however, is unaffordable to low-income residents. According to 1990 census data, the median family income for the MSA was \$43,600 of which 50%, \$21,800, would be the maximum income figure for low-income families. Mortgage industry standards consider housing that is three times annual income to be affordable. Only 16% of the area's housing is valued under \$60,000 and is, therefore, considered to be affordable to low-income residents.

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	154	86%	8	4%	3	2%	165	92%
Total Revenues > \$1 Million	11	6%	2	1%	1	<1%	14	8%
Totals	165	92%	10	6%	4	2%	179	100%

As illustrated above, 92% (165/179) of the small business/farm loans in the assessment area were provided to businesses with revenues of \$1 million or less. Furthermore, 86% of the 179 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 demonstrates the bank's willingness to meet the credit needs of local small businesses.

Given the product lines offered by the institution and its mortgage subsidiary, 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 this assessment area.

Community Development Loans

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

## **INVESTMENT TEST**

The bank has invested \$750,000 in VHDA housing bonds. The VHDA is a public agency that serves the housing needs of low- and moderate-income individuals throughout the Commonwealth of Virginia. The VHDA's primary activities are carried out through the sale of bonds which are used to finance single family and multifamily mortgages.

In addition, First Virginia Banks, Inc., recently purchased \$200,000 of stock in Consolidated Bank and Trust Company, a minority-owned financial institution. This investment was allocated to First Virginia Bank - Commonwealth and allowed Consolidated Bank to acquire three branches in the Cities of Newport News and Hampton. Approximately 80% of this institution's lending activity is provided to low- and moderate-income residents.

In addition, contributions totaling \$2,192 were provided to several organizations that primarily serve low- and moderate-income residents. These organizations, which serve portions of the metropolitan assessment area, include the Gloucester Housing Partnership, the Gloucester Samaritan Group, and the Housing Forum of Gloucester County. In addition, a donation was provided to Jacob's Ladder which offers an academic mentoring program for at-risk children from Virginia, Maryland, and North Carolina. These children primarily come from low- and moderate-income families, with some living in poverty.

## **SERVICE TEST**

### Accessibility of Delivery Systems

Delivery systems are accessible to all portions of the assessment area. Eleven Automated Teller Machines (ATMs) are located in the metropolitan assessment area. These ATM locations provide local residents with 24-hour nationwide network access. Three of the metropolitan ATMs are located within moderate-income census tracts. Mail banking services are also available to provide customers with 24-hour accessibility. In December 1997, the bank will begin offering telephone and personal computer banking services.

### Branch Locations and Hours of Operation

Branch locations and business hours are considered convenient and meet the needs of the assessment area with most branches offering Saturday hours. Several branch drive-in windows are open Monday through Friday until 5:30 p.m.; specific branch hours vary. Two branches have been opened since the previous evaluation and are located within Wal-Mart stores in the Cities of Newport News and Hampton. Both of these offices are situated in moderate-income census tracts and are open Monday through Saturday until 8:00 p.m. and from 1:00 to 6:00 on Sundays. First Virginia Bank - Commonwealth's 14 metropolitan offices are accessible to all segments of the community, and three of these branches are located in moderate-income census tracts (including the two recently opened locations). 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

Bank personnel routinely provide credit counseling and other assistance to many low- and moderate-income individuals in applying for and understanding credit. In particular, two bank employees serve on a committee that provides credit counseling through the Housing Forum of Gloucester County. This program provides guidance to local residents on budgeting, improving credit history, and applying for a loan. In addition, a senior officer participated in the development of a class for first-time home buyers. These classes were conducted at the Rappahannock Community College and included such topics as how to qualify for a home loan, how to budget for a mortgage loan, and how to review and repair credit histories.

Members of senior management are also actively involved in numerous organizations that do not qualify as community development services. These organizations promote economic growth, provide job training, or attract/retain industry in the area. Such organizations include the James City County Industrial Development Authority, the Alliance Group, and the Hampton Roads Partnership. While these groups do not specifically target low- and moderate-income individuals, the entire community benefits from the efforts of these organizations. Overall, the institution's provision of community development services within the market is considered reasonable.

### **NONMETROPOLITAN ASSESSMENT AREAS**

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

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

The bank's second assessment area contains one branch office and includes all of Surry County. This nonmetropolitan market consists of two middle-income census tracts. There are no low-, moderate-, or upper-income geographies within the assessment area. According to 1990 census data, this market has a population of 6,145 and a median housing value of approximately \$59,000. The owner-occupancy rate for the assessment area is 59% which is slightly lower 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 this nonmetropolitan assessment area by the income level of families and the percentage of population living in census tracts of varying income levels.

#### Surry Assessment Area

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Percentage of Area Families by Income Level	16%	16%	28%	40%	100%

Percentage of Population Residing in Census Tracts by Income Level of Tract	0%	0%	100%	0%	100%
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Surry County is located approximately 50 miles southeast of the City of Richmond and 30 miles west of the Tidewater region. While the community is readily accessible to these larger metropolitan areas, it remains predominately rural. The local economy depends primarily on agriculture and the Virginia Power Nuclear Power Plant for employment opportunities. The unemployment rate for Surry County as of September 1997 was 7.8% and is relatively high when compared to that for the Commonwealth of Virginia (4.1%).

**CONCLUSION WITH RESPECT TO PERFORMANCE TESTS IN SURRY ASSESSMENT AREA:**

**LENDING TEST**

Geographic Distribution of Loans

As previously mentioned, Surry County is comprised of two middle-income census tracts. Accordingly, 100% of the number and dollar amount of loans within the market were extended within these geographies. Therefore, the distribution of lending by income level of census tracts was not considered in evaluating the institution's CRA performance for this assessment area.

Borrowers' Profile

The following charts illustrate the distribution of consumer, HMDA, and small business/farm loans extended in the Surry assessment area by income level of the borrower and 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 Consumer Loans	12	39	31	37	119
Percentage of Total Loans	10%	33%	26%	31%	100%
Total Amount of Consumer Loans					



> \$1 Million	0	0%	1	3%	0	0%	1	3%
Totals	28	88%	4	12%	0	0%	32	100%

As illustrated previously, 97% (31/32) of the small business/farm loans in the assessment area were provided to businesses with revenues of \$1 million or less. Furthermore, 88% of the 32 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 demonstrates the bank's willingness to meet the credit needs of local small businesses.

As mentioned previously, the institution continues to offer loans guaranteed by the SBA. Given the product lines offered by the institution and its mortgage subsidiary, the distribution of loans to borrowers of different income levels and to businesses of different sizes is considered reasonable and demonstrates the bank's efforts to meet the credit needs of all segments of this community.

### Community Development Loans

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

### **INVESTMENT TEST**

As noted previously, the bank has provided approximately \$1 million in investments and contributions to organizations that serve portions of both the metropolitan and nonmetropolitan assessment areas. These activities were discussed earlier. Overall, the institution's level of qualified investments is considered reasonable.

### **SERVICE TEST**

#### Accessibility of Delivery Systems

Delivery systems are reasonably accessible to all portions of the assessment area. Mail banking services are available which provide customers with 24-hour accessibility. In December 1997, the bank will begin offering telephone and personal computer banking services.

#### Branch Locations and Hours of Operation

The bank's one branch location and its hours of operation are considered convenient and meet the needs of the assessment area. This branch offers Saturday hours, and its drive-in window is open until 5:30 Monday through Thursday and until 6:00 on Fridays. No branch offices have been closed since the previous evaluation.

#### Community Development Services



Qualified community development service opportunities in Surry County are limited. Bank personnel, however, are actively involved in local government and other economic development organizations. While these groups do not qualify as community development services, the entire community benefits from the efforts of these organizations, including low- and moderate-income residents. Consequently, the institution's provision of community development services is considered reasonable.

**DESCRIPTION OF INSTITUTION'S OPERATIONS IN LANCASTER AND MIDDLESEX ASSESSMENT AREA:**

The bank's third assessment area includes all of Lancaster and Middlesex Counties, BNAs 9502 and 9503 in King William County, and BNA 9505 in King and Queen County. Five branches are located within this community. This nonmetropolitan market area contains ten BNAs of which seven are middle-income and three are upper-income. There are no low- or moderate-income geographies within this assessment area. According to 1990 census data, the market has a population of 27,093 and a median housing value of approximately \$75,000. The owner-occupancy rate for the assessment area is 61% which is slightly lower than the 65% rate for the nonmetropolitan portions of the Commonwealth. As mentioned previously, the 1997 median family income for nonmetropolitan areas within Virginia is \$34,800.

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

Lancaster and Middlesex Assessment Area

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Percentage of Area Families by Income Level	17%	15%	22%	46%	100%
Percentage of Population Residing in BNAs by Income Level of BNA	0%	0%	68%	32%	100%

The assessment area is primarily rural, and the local economy is supported by agriculture, commercial fishing/processing, and tourism. Due to the seasonal nature of these industries, employment rates vary widely during the year. Residents also commute to the nearby Cities of Richmond, Hampton, and Newport News for employment opportunities. As of September 1997, the unemployment rates in the assessment area ranged from 2.9% in Middlesex County to 6.4% in King and Queen County. In recent years the area has become attractive as a retirement community, which has contributed to the growth of additional retail businesses, construction projects, and residential real estate. In Lancaster County alone, 26% of the population is age 65 and over. This migration has put upward pressure on the cost of real estate in the area.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN LANCASTER AND MIDDLESEX ASSESSMENT AREAS:

### LENDING TEST

#### Geographic Distribution of Loans

The geographic distribution of small business/farm, consumer, and HMDA loans is reflected in the following tables. The tables represent the institution's lending within the Lancaster and Middlesex assessment area according to income level of the geography.

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

	Middle-Income	Upper-Income	Total
Total Number of Loans	70	7	77
Percentage of Total Loans	91%	9%	100%
Total Amount of Loans (000's)	\$2,116	\$154	\$2,270
Percentage of Total Loans	93%	7%	100%

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

	Middle-Income	Upper-Income	Total
Total Number of Loans	561	105	666
Percentage of Total Loans	84%	16%	100%
Total Amount of Loans (000's)	\$6,098	\$1,272	\$7,370

Percentage of Total Loans	83%	17%	100%
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Distribution of HMDA Loans by Income Level of BNA  
(Includes Affiliate Lending)

	Middle-Income	Upper-Income	Total
Total Number of Loans	115	12	127
Percentage of Total Loans	91%	9%	100%
Total Amount of Loans (000's)	\$3,765	\$415	\$4,180
Percentage of Total Loans	90%	10%	100%

Overall, 86% (746/870) of the bank's loans were extended to individuals and businesses located in middle-income BNAs. This level of lending significantly exceeds the percentage of the population (68%) residing in such areas. As mentioned previously, there are no low- or moderate-income geographies within the assessment area. Given the local economic conditions and the size and location of the institution, the bank's overall loan distribution in this assessment area is considered reasonable.

Borrowers' Profile

The following charts illustrate the institution's distribution of consumer, HMDA, and small business/farm loans extended in this nonmetropolitan assessment area by income level of the borrower and 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 Consumer Loans	115	129	171	235	650

Percentage of Total Loans	18%	20%	26%	36%	100%
Total Amount of Consumer Loans (000's)	\$707	\$1,092	\$1,877	\$3,658	\$7,334
Percentage of Total Amount	10%	15%	25%	50%	100%

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

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of HMDA Loans	16	26	39	45	126
Percentage of Total Loans	13%	20%	31%	36%	100%
Total Amount of HMDA Loans (000's)	\$172	\$618	\$1,098	\$2,204	\$4,092
Percentage of Total Amount	4%	15%	27%	54%	100%

As depicted in the tables above, the percentage of consumer loans (38%) and HMDA loans (33%) extended to low- and moderate-income borrowers slightly exceeds the percentage of such families (32%) in the assessment area.

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	63	82%	3	4%	1	1%	67	87%

Total Revenues > \$1 Million	10	13%	0	0%	0	0%	10	13%
Totals	73	95%	3	4%	1	1%	77	100%

As illustrated previously, 87% (67/77) of the small business/farm loans in the assessment area were provided to businesses with revenues of \$1 million or less. Furthermore, 82% of the 77 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 demonstrates the bank's willingness to meet the credit needs of local small businesses.

As mentioned previously, the institution continues to offer loans guaranteed by the SBA. Given the product lines offered by the institution and its mortgage subsidiary, the distribution of loans to borrowers of different income levels and to businesses of different sizes is considered reasonable and demonstrates the bank's efforts to meet the credit needs of all segments of this community.

#### Community Development Loans

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

#### **INVESTMENT TEST**

As noted previously, the bank has made approximately \$1 million in investments and contributions to organizations that serve portions of both the metropolitan and nonmetropolitan assessment areas. These activities were discussed earlier. Overall, 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. The bank maintains one ATM within this market that provides local residents with 24-hour nationwide network access. Mail banking services are also available which provide customers with 24-hour accessibility. As mentioned previously, in December 1997, the bank will begin offering telephone and personal computer banking services.

##### Branch Locations and Hours of Operation

Branch locations and business hours are considered convenient and meet the needs of the assessment area with most branches offering Saturday hours. Bank drive-in windows are open Monday through Thursday until 5:00 p.m. and Friday until 6:00 p.m. The institution's five offices are accessible to

all segments of the community. No branch offices have been closed since the previous evaluation.

### Community Development Services

Bank personnel routinely provide credit counseling and other assistance to many local low- and moderate-income individuals in applying for and understanding credit. In particular, a senior bank officer developed and conducted a class for women of Middlesex County entitled "Financial Planning." This program provided information about credit counseling and budgeting.

In addition, bank personnel are actively involved in numerous organizations that do not qualify as community development services. Such organizations promote economic growth and industry in the area. While these groups do not specifically target low- and moderate-income individuals, the entire community benefits from the efforts of these organizations. The institution's provision of community development services is considered reasonable.