

**PUBLIC DISCLOSURE**

July 9, 2001

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First Virginia Bank - Blue Ridge

624826

P. O. Box 575

Staunton, Virginia 24402

**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 - Blue Ridge with respect to the lending, investment, and service tests.

<b>PERFORMANCE LEVELS</b>	<b><u>First Virginia Bank – Blue Ridge</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 or excellent.
- Numerous community development loans have been extended for an assortment of social service, affordable housing, and economic development projects.
- Participation in qualified community development investments is responsive to community credit needs and is considered reasonable.

- Delivery systems and branch locations are readily accessible to all segments of the assessment areas.
- 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 - Blue Ridge is headquartered in Staunton, Virginia, and operates 28 branch offices throughout four assessment areas that encompass the City of Charlottesville, the Shenandoah Valley region of the Commonwealth, and Culpeper and Warren Counties, 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 - Blue Ridge. First Virginia Bank closed one of its mortgage subsidiaries, First General Mortgage Company (FGMC), in the first quarter 2000. FGMC originated home equity loans throughout the mid-Atlantic region.

As of March 31, 2001, the bank had assets of \$525.2 million, of which 68.1% were loans and 25.2% were securities. The loan portfolio was comprised of 47.6% real estate secured (both commercial and business), 45.2% consumer purpose, 5.9% commercial and agricultural, and 1.3% other. Deposits as of March 31, 2001, were \$476.5 million. There have been no branch openings or closings since the previous examination dated June 21, 1999. First Virginia Bank - Blue Ridge was rated satisfactory at its previous CRA evaluation.

The bank serves four 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
Charlottesville	Charlottesville MSA	13.7%	Albemarle and Greene Counties and Charlottesville City
Shenandoah	NA	78.7%	Augusta, Frederick, Madison, Orange, Page, Rappahannock, Rockingham, and Shenandoah Counties and Harrisonburg, Staunton, Waynesboro, and Winchester Cities
Culpeper	Washington, DC MSA	3.2%	Culpeper County
Warren	Washington, DC MSA	4.4%	Warren County

## SCOPE OF EXAMINATION

The review of the bank's lending activity includes Home Mortgage Disclosure Act (HMDA), small business/farm, and consumer loans originated or purchased during the review period from January 1, 1999, to December 31, 2000. Community development loans made since the previous evaluation in June 1999 through June 2001 were considered as well. Investments and community development services for this same period were considered.

The Shenandoah and Charlottesville assessment areas were evaluated using the interagency examination procedures developed by the Federal Financial Institution's Examination Council. These two assessment areas were selected in large part because of the volume of lending.

The Shenandoah and Charlottesville assessment areas account for over 92% of both the total number and dollar amount of assessment area loans extended during the review period. Also, 92.9% of bank branches are within these areas, as well as nearly 94.4% of all deposits. The institution's ratings are based on performance in these two assessment areas. An overall rating and a rating for the lending, investment, and service tests are assigned to the institution as a whole. For assessment areas reviewed without 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 review periods is discussed in greater detail later in the report. The lending test is rated high satisfactory overall based on the lending activity, distribution of lending, 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 data for 1999 is used since the 2000 aggregated data is not yet available. Aggregated data includes First Virginia Bank - Blue Ridge and all institutions that reported loans of the type considered within First Virginia Bank - Blue Ridge'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 - Blue Ridge 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 31, 2001, the quarterly average loan-to-deposit ratio for all banks headquartered in non-metropolitan areas of Virginia and of similar asset size to First Virginia Bank - Blue Ridge ranged from 77.2% to 83.8%. The bank's average loan-to-deposit ratio for an eight-quarter period ending March 31, 2001 is 78.7%. 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. Although not offered directly, credit cards are available to customers through an arrangement with MBNA, Incorporated, a credit card bank headquartered in Delaware. 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. Bank management 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. This modification coincides with a significant change in the operations of FVMC. Beginning the second quarter of 2000, FVMC now only takes applications over the Internet. Complex products, such as adjustable rate mortgages, as well as Government insured or guaranteed loans, are available by referral to FVMC but a significant drop in lending volume was associated with the recent operational change.

A number of loan products offering flexible terms or underwriting criteria are available. Since January 1999, 21 FHA Title I loans were originated totaling \$282,812. These loans provide flexible underwriting criteria, terms up to ten years, and reduced interest rates. Additionally, the bank made four Small Business Administration loans for \$270,300 during this period. FVMC extended 47

Government-sponsored or affordable housing loans totaling \$4 million within the bank's assessment areas from January 1, 1999, to December 31, 2000.

Lending by affiliates contributes significantly to meeting the credit needs of the institution's assessment areas. FVCSI originates a large volume of indirect automobile instalment loans within the bank's markets. 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-Blue Ridge 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 *	569	2.7%	\$36,226	12.9%
Small Farm *	41	.2%	\$1,415	.5%
Small Business-Real Estate Secured	1	<.1%	\$15	<.1%
HMDA Total *	1,075	5.1%	\$59,253	21.1%
<i>HMDA Subtotals</i>				
<i>Home Purchase</i>	209	1.0%	\$14,381	5.1%
<i>Home Refinance</i>	225	1.1%	\$4,083	1.5%
<i>Home Improvement</i>	641	3.1%	\$40,789	14.5%
<i>MultiFamily</i>	0	0.0%	\$0	0.0%
Home Equity (nonHMDA)	732	3.5%	\$29,839	10.7%
Motor Vehicle	9,158	43.6%	\$126,599	45.1%
Other Consumer Secured	1,563	7.5%	\$11,729	4.2%
Other Consumer Unsecured	7,858	37.4%	\$15,492	5.5%
Totals	20,997	100.0%	\$280,568	100.0%

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

### 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	603	95.1%	\$36,180	97.3%	31	4.9%	\$993	2.7%
HMDA	879	92.0%	\$42,421	93.3%	76	8.0%	\$3,067	6.7%
Consumer	13010	94.4%	\$89,185	94.5%	770	5.6%	\$5,233	5.5%
Totals	14,492	94.3%	\$167,786	94.8%	877	5.7%	\$9,293	5.2%

As depicted above, a substantial majority of the number and dollar amount of loans have been provided to assessment area residents. Overall, the percentage of loans made in the assessment areas is considered highly responsive to community credit needs.

### Borrower and Geographic Distribution

Further analysis of small business, HMDA, and consumer loans by assessment area is discussed in greater detail later in the report. The analysis reveals good distributions of loans to individuals of varying incomes and to businesses of different sizes given the bank's market presence in each of its assessment areas. Loan penetration among geographies of different income levels is at least adequate in all areas. 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 five loans for community development purposes totaling approximately \$7 million within its assessment areas during the review period.

### **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 \$2.6 million in VHDA bonds, of which \$1.3 million were purchased since the previous evaluation. The bank has also invested \$1.3 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 \$45,000 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 \$19,138 to a variety of organizations that primarily assist low- and moderate-income residents and geographies 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 area. The bank's participation in a variety of community organizations is considered responsive to community needs. There have been no branch openings or closings since 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 CHARLOTTESVILLE ASSESSMENT AREA:**

This first assessment area is included in the Charlottesville Metropolitan Statistical Area (MSA) and contains the City of Charlottesville and the Counties of Albemarle and Greene, Virginia. The area includes 41 census tracts of which 32 are populated. Of the populated tracts, two are considered low-income, six are moderate-income, 16 are middle-income, and eight are upper-income. According to 1990 census data, this assessment area has a population of 118,678 and a median housing value of \$96,751. The owner-occupancy rate for the market is 57.3%, which is slightly lower than the Commonwealth of Virginia rate of 66.2%. The percentage of assessment area families living below the poverty level is 6.8%. The 1999 and 2000 median family incomes for the MSA are \$55,600 and \$57,000, respectively. For the year 2000, 91.3% of all assessment area businesses had revenues of \$1 million or less according to D&B data.

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.

Assessment Area Demographics

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Percentage of Area Families by Income Level	18.8%	18%	23.9%	39.3%	100%
Percentage of Population Residing in Census Tracts by Income Level	3.7%	18.2%	53.1%	25%	100%
Percentage of Owner-Occupied Housing Units by Income Level of Tract	.9%	8.7%	58.8%	31.6%	100%
Percentage of Businesses Located in Census Tracts by Income Level	3.2%	22.7%	45.5%	28.6%	100%
Percentage of Families Below Poverty Rate by Income Level of Tract	32.6%	16.4%	6.2%	2.0%	NA

The local economy is diversified among manufacturing, education, agriculture, tourism, and poultry. The University of Virginia (UVA)

is located in this assessment area. As of June 2001, the unemployment rates for Albemarle County, Greene County, and the City of Charlottesville are 1.7%, 2.2%, and 2.8%, respectively. The current unemployment rate for the Commonwealth of Virginia is 3.2%.

High poverty rates in low- and moderate-income census tracts may effect the demand for credit in these areas. Furthermore, of the 21.9% of the population residing in low- and moderate-income tracts only 15.9% are classified as families. This difference, as well as the low proportion of owner-occupied housing units, suggests that these areas likely contain significant numbers of UVA students. This student population would have a reduced demand for credit. The local economy, however, is relatively strong, and no other significant negative factors affecting demand for credit are apparent.

The Charlottesville metropolitan assessment area contains six of the bank's offices. As of June 30, 2000, the bank's deposit market share within the assessment area was 4.6%. For the review period, 13.7% of total loans and 17.6% of dollar volume were extended in this market. According to 1999 aggregate data, the institution had a market share of 3.7% of small business lending and 1.2% of mortgage lending. In particular, the bank ranked fifth in home improvement lending with a 6.0% market share.

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

### **LENDING TEST**

#### Lending Activity

Bank lending activity within this assessment area is consistent with the percentage of branch offices (21.4%) and deposits (17.7%) and is considered adequate.

#### Geographic Distribution of Loans

The geographic distribution of loans is reflected in the following tables. The tables include consumer, HMDA, and small business/farm loan data for 1999 and 2000. Area demographics, D&B economic data, and market aggregate information are used as proxies for demand when evaluating the bank's penetration into geographies of different income levels. Aggregated data includes FVB - Blue Ridge and all institutions that reported HMDA and small business/farm loans within the Charlottesville assessment area in 1999.

Distribution of Consumer Loans by Income Level of Census Tract

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	23	192	1,640	775	2,630
Percentage of Total Loans	.9%	7.3%	62.3%	29.5%	100.0%
Total Amount of Loans (000's)	\$255	\$2,566	\$19,906	\$11,554	\$34,281
Percentage of Total Amount	.7%	7.5%	58.1%	33.7%	100.0%

Consumer lending within low- (.9%) and moderate-income (7.3%) census tracts is lower than the percentage of population residing in such tracts (low-income 3.7% and moderate-income 18.2%). The level of families below the poverty level in low- and moderate-income tracts, however, is relatively high and likely adversely affects the demand and/or eligibility for credit in these areas. Specifically, the percentages of families below the poverty rate residing in low- and moderate-income census tracts are 32.6% and 16.4%, respectively. In comparison, 6.8% of assessment area and 7.7% of the Commonwealth's population are classified below the poverty level. The local student population, as noted previously, likely contributes to a diminished demand for credit in these geographies as well. Nonetheless, lending in low- and moderate-income tracts is considered somewhat low but adequate.

Distribution of HMDA Loans by Income Level of Census Tract

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	0	7	84	31	122
Percentage of Total Loans	0.0%	5.7%	68.9%	25.4%	100.0%
Total Amount of Loans (000's)	\$0	\$360	\$4,681	\$2,210	\$7,251
Percentage of Total Amount	0.0%	5.0%	64.5%	30.5%	100.0%

The distribution of HMDA loans in low- (0.0%) and moderate-income (5.7%) census tracts is lower than the percentage of owner-occupied housing units in such tracts (low-income .9% and moderate-income 8.7%). As mentioned previously, the percentage of

families below the poverty rate and the number of university students living within low- and moderate-income census tracts are relatively high. The bank's level of lending is more consistent with but also slightly lower than, aggregate lending in low- (.7%) and moderate-income (7.9%) geographies. Consequently, the bank's HMDA lending within this assessment area is considered adequate.

Distribution of Small Business Loans by Income Level of Census Tract

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	2	19	76	18	115
Percentage of Total Loans	1.7%	16.5%	66.1%	15.7%	100.0%
Total Amount of Loans (000's)	\$444	\$1,814	\$4,499	\$1,186	\$7,943
Percentage of Total Amount	5.6%	22.9%	56.6%	14.9%	100.0%

The bank's small business loan penetration in low- and moderate-income census tracts is 18.2%. Aggregated D&B demographic information for July 1998, indicates that within the Charlottesville assessment area 25.9% of all commercial entities are located in low- and moderate-income areas. However, a review of the 1999 small business aggregate lending data revealed only a 19.1% penetration in such geographies. The bank's lending in low- and moderate-income tracts is consistent with aggregate lending and is considered adequate.

Additionally, the bank extended four small farm loans (<.1% of total market loans) totaling \$64,000 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	515	666	595	653	2,429
Percentage of Total Loans	21.2%	27.4%	24.5%	26.9%	100.0%
Total Amount of Loans (000's)	\$4,201	\$8,117	\$8,897	\$12,442	\$33,657
Percentage of Total Amount	12.5%	24.1%	26.4%	37.0%	100.0%

The volume of consumer loans to both low- and moderate-income borrowers is higher than the proportion of both low- and moderate-income families in the assessment area (combined 36.8%). This level of performance 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	12	28	36	46	122
Percentage of Total Loans	9.8%	23.0%	29.5%	37.7%	100.0%
Total Amount of Loans (000's)	\$260	\$932	\$2,269	\$3,790	\$7,251
Percentage of Total Amount	3.6%	12.8%	31.3%	52.3%	100.0%

Within the assessment area, the institution provided 9.8% of its HMDA loans to low-income borrowers and 23% to moderate-income borrowers. The bank's level of lending is lower than the percentage of such families (18.8% low-income and 18% moderate-income) residing in the assessment area. However, the bank's performance is consistent with market aggregate lending (11.6% low-income and 23% moderate-income) and 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	93	80.9%	4	3.5%	7	6.1%	104	90.5%
Number Total Revenues > \$1 Million	6	5.2%	2	1.7%	3	2.6%	11	9.5%
Totals	99	86.1%	6	5.2%	10	8.7%	115	100%

Of the 115 small business loans provided in the assessment area, 90.5% were provided to businesses with revenues of \$1 million or less. Additionally, 80.9% of the loans were to borrowers with revenues \$1 million or less and in amounts less than \$100,000. According to D&B data for the year 2000, 91.3% of all assessment area businesses generated revenues of \$1 million or less. The 1999 aggregate lending data indicated that 67.3% 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. 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 excellent.

As mentioned previously, small farm loans were not evaluated due to the small volume reported within this market.

Community Development Loans

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

- A \$475,000 loan to Albemarle Housing Improvement Program originated to construct and rehabilitate several residences that will be on a rent to own basis to low- and moderate-income individuals. This nonprofit organization was created to promote, develop and encourage activities and means to alleviate the housing needs of disadvantaged persons.

- A \$425,000 loan to Albemarle Housing Improvement Program to rehabilitate four houses in Charlottesville, Virginia.

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

## **INVESTMENT TEST**

In addition to its statewide investments, 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, Habitat for Humanity, the Albemarle Housing Improvement Project, the Charlottesville Free Clinic, the Central Virginia Small Business Development Center, and the Monticello Area Community Action Agency. Since the previous examination, donations totaling \$5,238 were provided to organizations that primarily serve small businesses and/or low- and moderate-income residents of the assessment area.

Overall, the institution has an relatively high level of qualified investments, given the availability of local investment opportunities.

## **SERVICE TEST**

### Accessibility of Delivery Systems

Delivery systems are accessible to all portions of the assessment area. Three 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. 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 six offices within this assessment area, of which one (16.7%) is located in a moderate-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.

### Community Development Services

The institution provides financial expertise to numerous community development organizations. Bank officers serve as officers and board members of the Charlottesville Salvation Army Advisory Board, the Central Virginia Small Business Development Center, and the Monticello Community Action Agency. These organizations assist area 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. Facts and data reviewed, including performance and demographic information, can be found in the following tables. Performance under the lending and investment tests for the Culpeper and Warren assessment areas was consistent with that for the institution overall. For the service test, performance, in both areas, was below that for the institution primarily due to the lack of qualified community development services. Nonetheless in all cases performance was considered at least adequate.

Assessment Area	Lending Test	Investment Test	Service Test
Culpeper MSA	Consistent	Consistent	Below
Warren MSA	Consistent	Consistent	Below

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

This second assessment area consists of Culpeper County, Virginia, which is located in the Washington, D.C. MSA.

Assessment Area Demographics

Tracts in Assessment Area/Low-and Moderate-Income Tracts	5/5	Median Family Income (2000)	\$82,800		
Population	27,791	Poverty Rate (Families)	6.6%		
Median Housing Value	\$90,824	Owner-Occupancy Rate	67.5%		
% of Businesses with Revenues $\leq$ \$1 million			90.5%		
% of Businesses in Low-Income Tracts*	NA	% of Businesses in Moderate-Income Tracts*	100%		
	Low-Income	Moderate-Income		Low-Income	Moderate-Income
Percentage of Area Families by Income Level	32.7%	27.4%	Percentage of Families Below the Poverty Rate by Income Level of Tract	NA	6.6%
Percentage of Population Residing in Census Tracts by Income Level of Tract	NA	100%	Percentage of Owner-Occupied Housing Units by Income Level of Tract	NA	100%

\* Based on July 1998 D&B economic data

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

**LENDING TEST**

First Virginia Bank-Blue Ridge 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 $\leq$ \$1 Million	
	#	%	#	%	#	%	#	%	#	%
Small Business	NA	NA	3	100%	NA	NA	NA	NA	1	33.3%
HMDA	NA	NA	25	100%	9	36%	11	44%	NA	NA
Consumer	NA	NA	635	100%	236	40.2%	192	32.7%	NA	NA
1999 Aggregate Loan Originations/Purchases										
Small Business		NA		100%		NA		NA		58.9%
HMDA		NA		100%		31.7%		32.3%		NA

FVB - Blue Ridge did not originate any small farm loans in the Culpeper assessment area during this review period.

### INVESTMENT TEST

Donations totaling \$200 were provided to the Culpeper Community Development Corporation. These donations supplement the statewide investments discussed previously.

### SERVICE TEST

Accessibility to delivery systems is essentially the same as in all assessment areas. The Culpeper assessment area contains one ATM located at the branch office. No branch locations have been opened or closed since the previous evaluation. No community development services were noted in this area but such opportunities are limited in this largely rural community.

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN WARREN ASSESSMENT AREA:

The third assessment area consists of Warren County, Virginia, which is also located in the Washington, D. C. MSA. The area includes seven moderate-income census tracts and one unpopulated low-income census tract.

Assessment Area Demographics

Tracts in Assessment Area/Low- and Moderate-Income Tracts	7/7	Median Family Income (2000)	\$82,800		
Population	26,142	Poverty Rate (Families)	5.7%		
Median Housing Value	\$86,808	Owner-Occupancy Rate	71.9%		
% of Businesses with Revenues $\leq$ \$1 million			94%		
% of Businesses in Low-Income Tracts*	NA	% of Businesses in Moderate-Income Tracts*	100%		
	Low-Income	Moderate-Income		Low-Income	Moderate-Income
Percentage of Area Families by Income Level	33.3%	29.2%	Percentage of Families Below the Poverty Rate by Income Level of Tract	NA	5.7%
Percentage of Population Residing in Census Tracts by Income Level of Tract	NA	100%	Percentage of Owner-Occupied Housing Units by Income Level of Tract	NA	100%

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

**LENDING TEST**

First Virginia Bank-Blue Ridge 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	NA	NA	4	100%	NA	NA	NA	NA	2	50%
HMDA	NA	NA	62	100%	21	34.4%	24	39.3%	NA	NA
Consumer	NA	NA	863	100%	382	45.8%	275	33%	NA	NA
1999 Aggregate Loan Originations/Purchases										
Small Business		NA		100%		NA		NA		58.7%
HMDA		NA		100%		32.3%		36.4%		NA

First Virginia Bank - Blue Ridge did not originate any small farm loans in the Warren assessment area during this review period.

### INVESTMENT TEST

In addition to the statewide investments, a donation of \$250 was made to Habitat for Humanity.

### SERVICE TEST

Accessibility to delivery systems is essentially the same as in all assessment areas. The Warren assessment area contains one ATM located at the branch office. No branch locations have been opened or closed since the previous evaluation. No community development services were noted in this area but such opportunities are limited in this largely rural community.

## **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 SHENANDOAH ASSESSMENT AREA:**

The fourth assessment area is located in the Shenandoah Valley and includes Augusta, Frederick, Madison, Orange, Page, Rappahannock, Rockingham, and Shenandoah Counties, as well as the Cities of Harrisonburg, Staunton, Waynesboro, and Winchester.

Of the 80 populated census tracts and block numbering areas (BNAs) within the market, one is considered moderate-income, 47 are middle-income, and 32 are upper-income. There are 26 unpopulated low-income geographies. According to the 1990 census data, the Shenandoah market has a population of 346,864 and a median housing value of approximately \$75,124. The owner-occupancy rate for the assessment area is 70.1% which is slightly lower than the 73.6% rate for nonmetropolitan portions of the Commonwealth. The percentage of assessment area families living below the poverty level is 6.5%, which is substantially lower than the state nonmetropolitan level of 11.5%. The 1999 and 2000 median family incomes for nonmetropolitan areas within Virginia are \$38,300 and \$39,800, respectively. For the year 2000, 91.9% of businesses within the assessment area reported revenues of \$1 million or less according to D&B economic data.

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.

Assessment Area Demographics

	Low- Income	Moderate -Income	Middle- Income	Upper- Income	Total
Percentage of Area Families by Income Level	13%	15.4%	23.6%	48%	100%
Percentage of Population Residing in Census Tracts/BNAs by Income Level	0%	.4%	57.4%	42.2%	100%
Percentage of Owner-Occupied Housing Units by Income Level of Tract/BNA	NA	.2%	57.5%	42.3%	100%
Percentage of Businesses Located in Census Tracts/BNAs by Income Level	.1%	2.1%	58%	39.8%	100%
Percentage of Families Below Poverty Rate by Income Level of Tract/BNA	NA	22.3%	7.6%	4.9%	NA

The Cities of Winchester and Harrisonburg and the surrounding counties are among the fastest growing regions in the Commonwealth, attracting many businesses, investors and retirees from the Washington, D.C. area. Employment opportunities are provided by various manufacturing firms. The counties south of Winchester are primarily rural with major industry concentrated in agriculture, tourism, and poultry. The unemployment rates for the cities and counties of the assessment area are depicted in the following chart. As previously indicated, the current unemployment rate for the Commonwealth of Virginia is 3.2%.

<u>City or County</u>	<u>Unemployment Rates for June 2001</u>	<u>City or County</u>	<u>Unemployment Rates for June 2001</u>
Augusta County	2.6%	Rappahannock County	1.4%
Frederick County	2.3%	Rockingham County	1.9%
Greene County	2.2%	Shenandoah County	1.6%
Harrisonburg City	2.0%	Staunton City	2.1%
Madison County	1.7%	Waynesboro City	3.6%
Orange County	2.5%	Winchester City	2.6%
Page County	2.1%		

Twenty of the bank's 28 branches are in this assessment area and as of June 30, 2000, the bank's deposit market share within the assessment area was 8.2%. The Shenandoah assessment area accounts for 78.7% of the total loans and 74.8% of dollar volume during the review period. According to 1999 aggregate loan data, the institution had a market share of 4.8% of small business lending and 3.3% of mortgage lending. In particular, the bank ranked seventh in mortgage lending in the assessment area among reporting institutions.

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

**LENDING TEST**

Lending Activity

Bank lending in this assessment area is consistent with the 76.7% of all bank deposits in the area and the 71.4% of the bank's branches within these communities.

Geographic Distribution of Loans

The geographic distribution of loans is reflected in the following tables. The tables include consumer, HMDA, and small business/farm loan data for 1999 and 2000. As previously mentioned, all low-income census tracts or BNAs are unpopulated.

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

	Low- Income	Moderate -Income	Middle- Income	Upper- Income	Total
Total Number of Loans	0	17	9,639	5,522	15,178
Percentage of Total Loans	0.0%	.1%	63.5%	36.4%	100%
Total Amount of Loans (000's)	\$0	\$151	\$81,016	\$51,401	\$132,568
Percentage of Total Amount	0.0%	.1%	61.1%	38.8%	100%

Consumer lending within moderate-income census tracts (.1%) is somewhat lower than the percentage of population (.4%) residing in such tracts. Taking into the account the poverty rate (22.3%) in moderate-income tracts this level of lending is considered good, but because of the relatively small population the results are not particularly meaningful.

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

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	0	1	571	294	866
Percentage of Total Loans	0.0%	.1%	66.0%	33.9%	100%
Total Amount of Loans (000's)	\$0	\$29	\$31,035	\$16,509	\$47,573
Percentage of Total Amount	0.0%	.1%	65.2%	34.7%	100%

The level of HMDA lending in moderate-income areas (.1%) mirrors the percentage of owner-occupied housing units (.2%), as well as the aggregate level of lending (.2%) in such tracts. Again, the results are not particularly meaningful.

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

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	0	5	293	149	447
Percentage of Total Loans	0.0%	1.1%	65.6%	33.3%	100%
Total Amount of Loans (000's)	\$0	\$501	\$16,210	\$11,142	\$27,853
Percentage of Total Amount	0.0%	1.8%	58.2%	40%	100%

The bank's small business loan penetration in moderate-income census tracts is 1.1%. D&B data for July 1998, indicates that within the Shenandoah assessment area 2.2% of all commercial entities are located in low- and moderate-income areas. However, a review of the 1999 small business aggregate data revealed a 1.4% penetration in moderate-income tracts. The bank's lending in moderate-income tracts is comparable to aggregate lending in such geographies.

No small farm loans for the bank and/or market aggregate were reported in moderate-income geographies.

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. However, lending opportunities in moderate-income geographies are very limited.

Borrower Profile

The distribution of loans by income level of borrower and size of business/farm 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	2,434	3,597	3,413	4,581	14,025
Percentage of Total Loans	17.3%	25.7%	24.3%	32.7%	100%
Total Amount of Loans (000's)	\$9,324	\$25,006	\$30,667	\$64,534	\$129,531
Percentage of Total Amount	7.2%	19.3%	23.7%	49.8%	100%

The volume of consumer loans to low-income (17.3%) and moderate-income (25.7%) borrowers exceeds the percentage of low-income (13.0%) and moderate-income (15.4%) persons residing in the assessment area 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	32	175	252	399	858
Percentage of Total Loans	3.7%	20.4%	29.4%	46.5%	100%
Total Amount of Loans (000's)	\$1,002	\$7,199	\$12,511	\$26,357	\$47,069
Percentage of Total Amount	2.1%	15.3%	26.6%	56%	100%

Within the assessment area, the institution evidenced good distribution of loans to borrowers of different income levels. It provided 3.7% of its HMDA loans to low-income borrowers, which is slightly lower than market aggregate lending (5.3%) and lower than the percentage of low-income families (13%). The bank's level of lending to moderate-income borrowers (20.4%), however, exceeds both the aggregate lending (16.2%) and the percentage of such families (15.4%) residing in the market.

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	333	74.8%	24	5.4%	13	2.9%	370	83.1%
Number Total Revenues > \$1 Million	50	11.3%	17	3.8%	8	1.8%	75	16.9%
Totals	383	86.1%	41	9.2%	21	4.7%	445	100%

A good level of performance was noted for lending to small businesses. Of the 445 small business loans provided to various entities in the assessment area, 83.1% were provided to businesses with revenues of \$1 million or less. Additionally, 74.8% 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, 91.9% of all assessment area businesses generated revenues of \$1 million or less. The 1999 aggregate lending data indicated that 64.4% 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.

All 37 small farm loans extended by the bank were to farms with revenues of \$1 million or less. Data for the year 2000 indicates that 98.2% 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 good.

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 when using aggregate data and area demographics as proxies for demand.

#### Community Development Loans

- The bank originated the following three qualified community development loans within the Shenandoah assessment area since the previous evaluation:
- A \$4.0 million loan to Fairfax Hall, LP to develop and construct a 54-unit apartment complex in Waynesboro, Virginia. The project will convert a historic building into low- and moderate-income housing for eligible local senior residents. The VHDA will provide permanent funding for the project and the VCDC will provide an equity investment the sale of historic and low-income tax credits.

- A \$2.0 million credit line increase to Fairfax Hall, LP to continue the above described renovation.
- A \$110,000 letter of credit issued to Lincoln Square, LP in favor of VHDA to assure the future funding of the operating reserves for the purchase of a low-income public housing program in Staunton, Virginia.

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

## **INVESTMENT TEST**

As previously mentioned, the institution has investments in the VHDA and the Virginia Community Development Corporation's Housing Equity Funds. In addition, within the Shenandoah assessment area, First Virginia Bank – Blue Ridge owns \$12,500 of Staunton, Waynesboro, and Augusta County Community Development Corporation (SWACDC) capital stock. The SWACDC develops, rehabilitates, and finances low- and moderate-income housing. Since the previous examination, the institution has also made contributions totaling \$13,450 to organizations that serve primarily low- and moderate-income residents of the assessment area. These organizations include, but are not limited to, Habitat for Humanity, Shenandoah Alliance for Shelter, the Augusta Regional Free Clinic, the Blue Ridge Area Food Bank, the Salvation Army, and Christmas in April.

Overall, the institution has been responsive to community needs through its participation in qualified investments, relative to the availability of local investment opportunities.

## **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. 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 20 offices within this assessment area. Branch locations and business hours are considered convenient and meet the needs of the assessment area. None are in the single sparsely populated moderate-income geography. Most branches offer Saturday hours and have drive-thru facilities that are open extended hours. There have been no branch openings or closings since the previous examination.

### Community Development Services

The institution provides financial expertise to numerous community development organizations. Bank officers serve as directors or board members for the Staunton, Augusta, Waynesboro Community Development Corporation, Shenandoah County Habitat for Humanity, the Shenandoah County Economic Development Partnership and the Waynesboro Industrial Development Authority. These organizations assist area 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 good.

## APPENDIX A – Scope of Examination

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION	
ASSESSMENT AREA	TYPE OF EXAMINATION
Charlottesville	Full Procedures
Culpeper	Limited Procedures
Warren	Limited Procedures
Shenandoah	Full 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.