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**Office of the Comptroller of the Currency  
Administrator of National Banks**

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**PUBLIC DISCLOSURE**

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**May 31, 1997**

**First Union National Bank of South Carolina  
Insignia Financial Plaza  
P.O. Box 1329  
Greenville, South Carolina 29602**

**Charter Number 21183**

**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**

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **First Union National Bank of South Carolina**, prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency.

The evaluation represents the OCC's current assessment and rating of the institution's CRA performance based on an examination conducted as of **May 31, 1997**. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act (CRA) of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

### **Basis for the Rating**

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

**ASSIGNMENT OF RATING**

**Identification of Ratings**

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

**Outstanding record of meeting community credit needs.**

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

**Satisfactory record of meeting community credit needs.**

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

**Needs to improve record of meeting community credit needs.**

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

**Substantial noncompliance in meeting community credit needs.**

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

## **DESCRIPTION OF CONTENTS**

The balance of this document contains information presented in four sections. The sections are: **Performance Context**, **Summary of Institution's Performance**, **Discussion of Institution's Performance** and **Additional Information**.

The **Performance Context** section provides data about the bank, its direct and indirect (through affiliates) lending structure, and its delineated communities. The **Summary of Institution's Performance** presents the bank's rating and performance highlights which are further discussed relative to the 12 assessment factors grouped under five performance categories (refer to **General Information**).

### **Performance Context**

- Bank Profile
- Community Profile

### **Summary of Institution's Performance**

- Institution's Rating
- Performance Highlights

### **Discussion of Institution's Performance**

- Ascertainment of Community Credit Needs
- Marketing and Types of Credit Offered and Extended
- Geographic Distribution and Record of Opening and Closing Offices
- Discrimination and Other Illegal Credit Practices
- Community Development

**Additional Information** - Corporate and Local CRA Programs

## **PERFORMANCE CONTEXT**

### **Bank Profile**

**First Union National Bank of South Carolina (FUNB-SC)** is a subsidiary of **First Union Corporation (First Union)**, a multi-bank holding company. First Union is the sixth largest banking company in the nation, with assets of **\$140 billion** as of year-end 1996. First Union is headquartered in Charlotte, North Carolina, and owns ten national banks based in the District of Columbia, Florida, Georgia, Maryland, North Carolina, Pennsylvania, South Carolina, Tennessee, and Virginia.

FUNB-SC has total assets of **\$3.2 billion** as of December 31, 1996, and represents the third largest bank headquartered in the state following *Wachovia Bank of South Carolina* (\$7.3 billion) and *Branch Banking & Trust* (\$3.8 billion). The bank operates 55 branches in the state. Through these offices and alternative delivery systems, FUNB-SC offers a full range of loan products and other services to its communities.

Lending by affiliates helps FUNB-SC identify and address community credit needs. For the First Union subsidiary banks, including this one, residential mortgage lending is largely consolidated at **First Union Mortgage Corporation (FUMC)**. FUMC processes mortgage loan applications and subsequently sells originations to First Union national bank affiliates or the secondary market. Another subsidiary of the holding company, **First Union Home Equity Bank, N.A.**, provides home equity financing in 35 states, including this bank's markets.

As of year-end 1996, the bank reports total loans of \$2.3 billion which consists largely (75%) of loans secured by real estate. Loans to individuals for consumer purposes equal seven percent of the portfolio. This Performance Evaluation focuses on lending activity that helps to address the needs of the bank's delineated communities, especially the low- and moderate-income (LMI) areas and borrowers.

#### **Notes:**

**LMI** denotes low-and moderate-income (LMI). This means an individual or borrower income that is less than 80% of the area median income or, in the case of a geography, a median family income that is less than 80% of the respective MSA.

The **population statistics and income information** reflects data obtained from the 1990 Census and the United States Department of Housing and Urban Development (HUD).

**Evaluation Period** - The bank's previous CRA Performance Evaluation is dated April 11, 1994, when the bank had total assets of \$2.3 billion; now it has grown about 39% to \$3.2 billion. In addition, the prior performance evaluation shows that the bank operated 64 branches to serve 29 delineated communities, which included all or a portion of 25 counties. This current Performance Evaluation reflects the bank's performance assessed since then through May 31, 1997, based primarily upon data for 1995 and 1996.

**Community Profile**

South Carolina has a total population of 3.5 million residents comprising 935.6 thousand families. The following depicts the population distribution by income level.

Low	Moderate	Middle	Upper
21%	17%	23%	39%

The state population includes 1.3 million households of which 199.1 thousand or 16% are below poverty level. Owner-occupied units aggregate 61% of the South Carolina housing stock. The state's economy is stable.

The following table illustrates major markets and other areas within the bank's delineated communities. FUNB-SC operates in every MSA within the state except the Augusta-Aiken MSA. The bank has reasonably delineated communities to serve in South Carolina, none of them arbitrarily exclude any LMI areas.

<b>Delineated Communities Within Metropolitan Statistical Areas (MSAs) and Counties</b>	<b>MSA Population</b>	<b>1996 HUD MSA Median Family Income</b>	<b>Low- and moderate- income Families</b>
Charleston MSA: Charleston and portions of Dorchester and Berkeley	506,875	\$38,700	38%
Greenville MSA: Greenville, Anderson, Spartanburg and portion of Pickens	830,563	\$40,300	37%
Columbia MSA: Richland, Lexington	453,331	\$43,100	37%
Florence MSA: Florence	114,344	\$36,500	40%
Myrtle Beach MSA: portion of Horry	144,053	\$35,300	38%
Sumter MSA: Sumter	102,637	\$30,400	39%
<b>Delineated Non-MSA Communities and Counties</b>	<b>Population</b>	<b>1996 HUD Statewide Non-metropolitan Median Family Income</b>	<b>Low- and moderate- income Families (average)</b>
Non-MSA: Beaufort, Chester, Clarendon, Darlington, Fairfield, Kershaw, Laurens, Marlboro, Newberry, Oconee and Orangeburg	537,712	\$33,300	38%

The state has a total of 854 census tracts with 212 (25%) designated as low- and moderate-income (LMI) areas. Comparably, the FUNB-SC communities include 628 census tracts of which 166 (26%) are LMI tracts.

The balance of this section provides a brief discussion on the larger markets in which FUNB-SC operates.

**Charleston**

The Charleston MSA is the fastest growing in the state with a population of 506.9 thousand comprised of 131 thousand families. The MSA median family income is \$38,799 with the following distribution: low 20%, moderate 18%, middle 23%, and upper 39%. There is a total of 177,484 households with 26,568 or 15% below the poverty level.

The MSA consists of 125 census tracts with the following income designations: 9 low, 25 moderate, 47 middle, and 27 upper. The remaining 17 are unpopulated. The bank serves almost the entire MSA through its delineation that includes 95% of the population.

The Charleston area has suffered from the closing of a U.S. Naval Base. Estimated loss of direct jobs totals almost 22,000. *Economic development* to replace the significant loss (estimated at \$644 million) in community payroll remains a high priority. *Affordable housing* represents another pressing need for this community. North Charleston has the largest public housing community in the state and carries a long waiting list (up to three years) for potential residents. Median housing value is \$60,100 and the median year built is 1968. Owner-occupied units amount to 55%, well below the state average of 61%. Other pressing needs include *neighborhood revitalization and rehabilitation* for existing units.

**Columbia**

The city of Columbia is the capital of the state. It is the political, educational, cultural, commercial, manufacturing and transportation center for the state. It is the home of Fort Jackson and there are ten institutions of higher learning. The economic climate is stable; however, government, military and university needs have put strong pressure on the supply of affordable housing. The MSA has a total population of 453,331 comprising 116,038 families. The MSA median family income is \$43,100 with the following distribution: low-income - 19%, moderate-income - 18%, middle-income - 24%, and upper-income - 39%. Approximately 19,000 households or 11% are below the poverty level.

The MSA consists of 106 census tracts with 11 low-income, 25 moderate-income, 42 middle-income, 26 upper-income, and two unpopulated. The bank's delineation includes the entire MSA.

Median housing value is \$65,600. Housing stock is typical for the Carolinas with the median year built being 1969. Sixty per cent of housing units are owner occupied and 7% are vacant. Per the HUD 1995 consolidated plan, *home ownership* is declining because more families are unable to afford their own homes with the city of Columbia reflecting the greatest need. While the MSA as a whole shows 60% home ownership, the city of Columbia is only 45%, well below the state average. Ample property is available to rent or purchase in the city; however, incomes are so low that they do not match the housing market.

**Greenville**

The MSA has a total population of 830,563 comprising 230,147 families. The MSA median family income is \$40,300 with the following distribution: low - 19%, moderate - 18%, middle - 24%, and upper income - 39%. There is a total of 313,071 households with 40,594 or 13% below poverty level.

The MSA consists of 207 census tracts with ten low-income, 38 moderate, 119 middle, 38 upper and two unpopulated. The bank's delineation covers almost the entire MSA (90%).

Greenville has one of the strongest economies in the Southeast and has the reputation of being among the best locations in the country for business. Over the past nine years the area has realized over \$2.5 billion in capital investment. Greenville County, which is the most populous in the state, has experienced an average 10-year growth of 17%. Median housing value is \$53,900 and the median year built is 1969. The prosperity in the area has resulted in a high level of owner-occupied units at 65%. Vacant housing units total only 6%, which is lower than most areas in the Southeast. *Affordable housing* is one of the greatest needs in the MSA with *rehabilitation of existing housing stock* as another community credit need.



**Florence**

The MSA has a total population of 114,344 consisting of 30,155 families. The MSA median family income is \$36,500 with the following breakdown: low- 24%, moderate- 16%, middle- 19%, and upper-income families 41%. There is a total of 39,998 households of which 8,004 or 20% below poverty level.

The MSA consists of 29 census tracts with two low-income, six moderate-income, 13 middle-income, and eight upper income. The bank's delineation covers the entire MSA. The median housing value is \$47,600 with a median year built of 1971. Sixty-five per cent of the housing stock is owner-occupied.

**Myrtle Beach**

The MSA has a total population of 144,053 consisting of 40,552 families. The MSA median family income is \$35,300 with the following breakdown: low-income 19%, moderate-income 19%, middle- income 23%, and upper-income - 39%. There is a total of 55,665 households with 8,214 or 15% below poverty level.

The MSA consists of 39 census tracts with one low-income, six moderate-income, 24 middle-income, and eight upper-income tracts. The bank has delineated 65% of the population and 25 tracts in its community.

**Sumter**

The MSA has a total population of 102,637 consisting of 25,997 families. The MSA median family income is \$30,400 with the following breakdown: low-income 21%, moderate-income 18%, middle-income 21%, and upper-income 40%. There is a total of 32,854 households with 6,704 or 20% below the poverty level.

The MSA consists of twenty-three census tracts with zero low income, nine moderate income, nine middle income, four upper income and one unpopulated tract. The bank's delineation covers the entire MSA. The median housing value is \$45,200 with a median year built of 1970. Sixty per cent of the housing stock is owner occupied.

**SUMMARY OF INSTITUTION'S PERFORMANCE**

**Institution's Rating:**

Based upon the findings presented below, this institution is rated: “**outstanding record of meeting community credit needs.**”

**Performance Highlights**

- ◆ To help meet community credit needs, FUNB-SC has developed loan programs that pertain to affordable housing, affordable credit for life’s necessities, and small business operations. The bank has also been an active participant in government-sponsored loan programs.
- ◆ For this \$3.2 billion bank, mortgage related originations increased significantly just from 1995 to 1996 (from two thousand to about five thousand loans with totals of \$65 million in 1995 and up to \$368 million in 1996).
- ◆ The bank has maintained a high level of participation in community development programs and projects throughout the state. FUNB-SC participates in a variety of programs, including several directed to the LMI communities and borrowers.
  - 43 development/redevelopment programs (loans total \$34 million, plus \$12 million in unused lines of credit and commitments that are available for various projects)
  - City of Columbia rehabilitation program (\$4.9 million)
  - Charleston Bank Loan consortium (committed \$1 million, extended \$268 thousand to LMI individuals for home purchases)
  - multi-family affordable housing projects (\$27 million)
  - Creative financing provided for small businesses (i.e. West Greenville pool \$200 thousand commitment)
  - Rehabilitation and reconstruction of housing (i.e. City of Charleston \$225 thousand comitment)
- ◆ From 1995 to 1996, the volume of activity in LMI census tracts has increased significantly. For mortgage loans it almost doubled in volume from 225 to 480, with a big increase in the dollar amount from \$7 thousand to \$25 thousand.

- ◆ First Union developed and FUNB-SC has offered loan programs to help meet community credit needs pertaining to affordable housing and small business lending.
  - *Affordable Mortgage* loans for 1996 equal 471 at \$25 million.
  - *Neighborhood Development* loan product was introduced in July of 1996; no origination volume through year-end.
  - *Community Partnership* loan product was also introduced in July of 1996; no origination volume through year-end
  - *Special Home Improvement* loans equal 19 at \$160 thousand.
  
- ◆ Government related programs continue to be used as tools to help meet community credit needs. About 200 mortgage related loans totaling \$16 million were made through government guaranteed or subsidized programs.
  
- ◆ The *Small Business Banking Division (SBBD)* has become very active in the bank's market. Through SBBD, 726 loans were generated in 1996 for \$47 million. During 1996, FUNB-SC made 775 loans to businesses with gross annual revenues of \$1 million or less.
  
- ◆ FUNB-SC has effectively determined the credit needs of its communities. The Board and senior management of the parent holding company and the bank are actively involved in planning, implementing and monitoring the bank's CRA activities.
  
- ◆ FUNB-SC reflects a reasonable geographic distribution of loan originations.
  
- ◆ The bank has several effective programs to help ensure fair treatment of credit applicants. Our review found no evidence of any illegal discriminatory credit practices.

**DISCUSSION OF INSTITUTION’S PERFORMANCE**

**I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS**

**Assessment Factor A** - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

- ◆ **FUNB-SC has effectively determined the credit needs in South Carolina and has responded pro-actively to these needs.**
- ◆ **Lending products have been modified and service oriented programs have been instituted.**

During the evaluation period, bank directors, officers, and employees at all levels had ongoing, meaningful contacts with a large range of groups and individuals. These contacts help the bank ascertain community credit needs. FUNB-SC uses a wide array of techniques in its ascertainment process which can often be targeted to LMI individuals. The following examples highlight some of the techniques applied during this evaluation period.

- Officer call program: This formal, documented program includes needs assessment data. Representatives of FUNB-SC targeted individuals representing low- and moderate-income neighborhoods. As a result, the bank met with individuals that represented civic, religious, small business (minority- and women-owned), commercial development, real estate development, neighborhood, and fair housing interests.
- Community dialogue meetings: FUNB-SC held meetings throughout the state in communities such as Anderson, Charleston, Columbia, Florence, and Laurens. These meetings were designed to allow the bank to share relevant product and initiative information with key members of the communities. At the same time, the bank solicited feedback from individuals about its products and programs.
- “Blitz Days”: This program reflects a concerted effort by FUNB-SC to reach specific populations of the communities via telephone. The program encompasses both new customers and cross-selling efforts to existing customers. While the main focus serves to provide financial assistance and satisfy credit needs, this activity also serves as a non-traditional mechanism for outreach.
- “Mortgage Saturdays”: FUNB-SC conducts this program in partnership with the Trident Urban League Home Buyer Seminars. Through this program, lenders staff a branch or community center on a Saturday to better serve mortgage lending needs in target

communities. It provides a non-traditional delivery system for lending and community outreach. With success in the Charleston market, FUNB-SC has initiated studies to replicate the program on a statewide basis.

- Community contact lists: The bank's list of community contacts provides a valuable tool to enhance its outreach ability.
- Consortiums and public/private partnerships: The bank has developed and maintained relationships with a number of consortiums and public/private partnerships. These efforts not only assist the bank in ascertaining credit needs but also provide opportunities to inform the communities of available bank services and lending programs.

The bank's ascertainment efforts have identified the primary credit needs within the communities as *affordable housing*, *home improvement* and *small business* loans. Non-lending needs were identified as *credit education* and *technical assistance*.

These community credit needs were confirmed during our examination and were found to be similar throughout all of the bank's communities. This confirmation was obtained through reviews of prior regulatory activities including community contacts, HUD consolidated plans, community profiles generated by the Federal Reserve, and other economic and demographic data.

FUNB-SC periodically gathers data and analyzes the geographic distribution of its loans. This analysis forms the basis for the individual CRA plans established for each delineated community. These plans include performance goals for major types of ascertainment efforts such as the number of contacts made and seminars held with community members.

**Assessment Factor C** - The extent of participation by the institution's Board of Directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

- ◆ **CRA is an integral part of the Board's planning process and banking philosophy.**
- ◆ **The Board and senior management, at both the bank and holding company level, are extensively involved in the bank's CRA program.**

The Board and senior management, at both the bank and holding company level, are extensively involved in the bank's CRA program. They have established a formal program that includes identifying a strong support group of individuals and committees responsible for monitoring CRA activities. They have been very involved in outside committees and organizations which also help keep them informed of major community needs. In addition, bank reporting processes provide the Board and senior management with adequate information to evaluate and manage the overall

CRA program. Support also comes through local CRA advisory boards which play an instrumental role to keep the directors and members of senior management aware of the bank's CRA activities.

The Board and management of FUNB-SC have been proactive and responsive in addressing community credit needs with special products and services. Loan products that were developed in response to community credit needs include:

- affordable mortgages,
- a small business credit card, and
- secured credit cards.

The bank also escalated its educational outreach and has been involved in the improvement in educational curricula. The Board and senior management actively support CRA training for all personnel. In addition, concerted efforts and oversight help ensure that all CRA regulatory requirements are met.

The CRA program establishes goals and objectives and provides a methodology for an annual self assessment. In addition, CRA action plans are developed to ensure corporate goals and directives are met. The Board of Directors receives quarterly progress reports of CRA activities.

## II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

**Assessment Factor B** - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

- ◆ **The bank has implemented sound marketing and advertising programs.**
- ◆ **These programs inform all segments of the bank's delineated communities of available loan products, including those developed to meet identified credit needs.**

FUNB-SC has developed a state level community reinvestment marketing plan targeted at improving the bank's overall participation and effectiveness in low- and moderate-income communities. A significant portion (23%) of the state marketing budget has been allocated to LMI advertising. The marketing plan was developed in conjunction with the corporate marketing plan and emphasizes the use of minority media. Another key component is the use of market penetration reports and audience profiles when developing marketing strategies.

Marketing and advertising of credit services offered include a number of the non-traditional delivery methods discussed in **Assessment Factor B** such as "Mortgage Saturdays" and "Blitz Days". Outreach activities, which stress partnerships, have been particularly effective in coastal

and rural communities. These areas have been more of a challenge for the bank to make an impact because of trust and credibility.

FUNB-SC advertises specific credit products through local newspapers, direct mail campaigns, magazines, radio, billboards and telemarketing. Products advertised include affordable mortgages, home improvement loans, home equity lines of credit, automobile loans, credit cards and small business loans. Complete marketing and advertising records are maintained and reviewed for compliance with applicable laws and regulations.

**Assessment Factor I** - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

◆ **FUNB-SC has demonstrated a willingness to help address the credit needs identified within its delineated communities.**

The bank offers a wide range of products and services designed to help meet the identified credit needs of its delineated communities. These efforts have resulted in a reasonable number of loans for residential home purchase and improvement as well as for small business and small farm operation.

Home mortgage originations detailed in the following table include loans for the purchase, refinance, and improvement of residential property. These mortgage totals also include originations from all affiliates including First Union Mortgage Corporation and First Union Home Equity Bank, N.A. In addition, the small business and small farm data relates to borrowers with total annual revenues of less than \$3 million. Consumer loan totals include vehicle lending, revolving credit, home equity based loans, and other secured or unsecured loans.

<b>Loan Originations</b>		
<b>Loan Type</b>	<b>#</b>	<b>\$ (000's)</b>
<b>Home Mortgage</b>	<b>6,098</b>	<b>\$432,158</b>
<b>Small Business</b>	<b>1,124</b>	<b>72,388</b>
<b>Small Farm</b>	<b>2</b>	<b>62</b>
<b>Total</b>	<b>7,224</b>	<b>\$504,608</b>
<b>Consumer</b>	<b>34,946</b>	<b>\$337,408</b>

As the table indicates, mortgage related originations increase significantly from 1995 to 1996. The increase resulted from strategic decisions regarding loan pricing and funding which caused the volume to decline in 1995. However, the volume rebounded in 1996 after management adjusted its strategy. The more favorable interest rate environment also contributed to the 1996 rise in lending performance.

In addition to the \$62 thousand small farm loans noted in the table, the bank participates in other programs to help serve this segment of its communities. FUNB-SC has demonstrated active involvement in the agricultural lending area through its support of **AgFirst**, a specialized group of farm credit banks. AgFirst helps the bank target and reach the farming segment of the state's community. Through this relationship, FUNB-SC provides a \$100 million agricultural federal funds line of credit, \$21 million in cash management for 48 farm credit banks, and a \$3 thousand credit card line for AgFirst representatives. The bank's agricultural initiatives also include a partnership with the **Orangeburg County Young Farmers** organization and the **South Carolina Department of Agriculture**. FUNB-SC provided a \$10,000 revolving loan fund to assist individual farmers with working capital and short-term financing needs for their operations. A review of additional bank data shows that the bank makes other loans for agricultural purposes which do not meet the definition of "small farm loans."

FUNB-SC offers the traditional mortgage and consumer products to its communities. The bank also offers special products designed to assist low- and moderate-income individuals with home purchases and other financial needs. The following comments highlight those product features.

**Affordable Mortgage Loan Products:**

**Affordable Home Mortgage Loan - \$25,914,052 (471 loans)**

This specialized product offers flexible terms to low- and moderate-income home buyers.

- This product offers up to 97% financing for the purchase of a home.
- The down payment can be provided through the use of borrowed funds, sweat equity, or a gift from a relative.
- Mortgage insurance is not required, neither are reserves after the loan closing.
- Seller contributions are allowed by parties such as the builder, developer, real estate agent, and the seller which may be used to pay closing costs and permanent interest rate buy downs.



**Neighborhood Development Mortgage** - No loans generated through year-end 1996 (introduced 6/96). First Union developed this product to encourage economic development and stability within low- and moderate-income census tracts.

- This product provides up to 95% financing for low- and moderate-income borrowers who purchase a home inside a LMI census tract.
- A 5% down payment is required, with a minimum of 3% to be provided from the borrower's own funds. The remaining 2% may come from quantifiable sweat equity, gift from a relative, or borrowed funds.
- This product is priced 1% below market interest rates.

**Community Partnership Mortgage** - No loans generated through year-end 1996 (introduced 6/96). This product was developed by First Union to foster relationships with new and existing non-profit community organizations. As part of this program, borrowers are required to obtain home buyer's counseling from non-profit community organizations who have partnered with First Union.

- This product provides up to 100% financing for low- and moderate-income home buyers.
- Borrowers need only \$500 and one month's reserves at closing. Mortgage insurance is not required.
- More liberal debt-to-income ratios are allowed, such as a 31% housing ratio.

### **Consumer Loan Products:**

**Special Home Improvement** - \$160,047 (19 loans)

This product allows low- and moderate-income borrowers to improve the condition of their home via flexible financing options.

- Loan advances for unsecured credit begin at \$3,000. The bank also offers this product on a secured basis starting at \$1,500 with advances up to 90% of tax value or 80% of appraised value.
- First Union will provide incentive rebates to customers who make timely payments.

**Secured MasterCard** - \$132,733 (204 loans)

This product functions as a line of credit secured by a First Union savings account equal to the requested credit limit. This product is designed for low- and moderate-income individuals who are attempting to gain/rebuild unsecured credit opportunities.

- Line balances can range from \$400 to \$15,000 with payments equal to 3% of the new statement balance.
- No application or processing fees are charged.
- Line increases may occur with additional deposits of \$100. First Union regularly reviews these accounts for credit limit increases without a requiring additional deposits.

The Secured MasterCard product replaces two others which were discontinued by First Union after detailed reviews of performance. Through May of 1996, the Special Instant Cash Reserve and Special First Advance products were offered by the bank to better serve LMI persons.

**Visa Business Card** - \$781,417 (1,668 loans)

First Union established this revolving product to help meet cash management needs of small businesses.

- The product offers flexible billing and payment options
- Free quarterly management information and summary reports.
- Offers a feature which allows customers to separate personal expenses from business related expenses.
- Provides small business owners access to short-term, unsecured credit.

Community members can obtain descriptions of some of these special credit products in the brochures titled “Special Banking Services” and “Home Mortgages” which are maintained at all branch locations. In addition, a comprehensive overview of many other services provided by First Union, including deposit products, financial planning, and 24 hour banking are detailed in “The Guide to First Union Banking Services”.

To better address the credit needs of small businesses, First Union developed a **Small Business Banking Division (SBBD)** which also serves the Georgia markets. The SBBD targets businesses with annual revenues of \$5 million or less. This Division addresses loan requests for \$25,000 to \$350,000 and was established to expedite the loan process for small businesses. The table entitled **Loan Originations** includes the consumer portion of these loans.

**Assessment Factor J** - The institution's participation in governmentally-insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms.

- ◆ **FUNB-SC affirmatively participates in government-sponsored loan programs, including loans for housing, small business, and education needs.**

The bank offers many government programs designed to provide customers with alternatives to the bank’s traditional products and services. These programs include financial assistance through the Veterans Administration (VA), Farmers Home Administration (FHA), Small Business Administration (SBA), and various government sponsored student loan programs.

<b>Government Loan Originations</b>		
<b>Loan Type</b>	<b>#</b>	<b>\$ (000's)</b>
<b>FHA</b>	<b>69</b>	<b>\$ 4,492</b>
<b>VA</b>	<b>120</b>	<b>10,916</b>
<b>FNMA Agency 97</b>	<b>5</b>	<b>316</b>
<b>Mortgage</b>	<b>194</b>	<b>15,725</b>
<b>SBA</b>	<b>14</b>	<b>2,911</b>
<b>Total</b>	<b>208</b>	<b>\$18,636</b>

First Union began offering loans to small businesses on a corporate level through the centralized SBBD during the second quarter of 1995. The division is designed to provide prompt and efficient service by telephone within a 24-hour response time. This prompt action to applications has attributed to the division's success (726 loans originated in 1996) and the low number of SBA guaranteed loans requested.

The Agency Fannie 97 is a specialized mortgage product available under the Fannie Mae Community Lending Program. This product has a low down payment requirement of 3%. Financing alternatives for fixed-rate mortgages exist. These features reflect more relaxed debt-to-income ratios. In addition, closing costs may be provided from a gift, a grant, or the seller.

In addition to these government sponsored programs, FUNB-SC has demonstrated a substantial commitment to education. The bank established a \$98 million line of credit to the South Carolina Student Loan Corporation (SCSLC). FUNB-SC has been associated with SCSLC since 1987 and is the lead bank on this credit facility. SCSLC is a private, non-profit corporation organized to provide financial assistance to eligible students. SCSLC is the central lender and administrator of the Stafford Student Loan Program (GSL), the Parent's Loans for Undergraduate Students Program (PLUS), and the Supplemental Loans for Students (SLS) in South Carolina. The South Carolina State Educational Assistance Authority guarantees the loans which are reinsured by the U.S. Department of Education.

### III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

**Assessment Factor E** - The geographic distribution of the institution's credit extensions, credit applications and credit denials.

- ◆ **FUNB-SC reflects a reasonable geographic distribution of loans.**
- ◆ **Loan originations come from all income segments of the bank's delineated communities.**
- ◆ **Lending percentages to LMI customers in mortgage and consumer related loans are also considered reasonable.**

Geographic analysis at FUNB-SC is primarily performed by bank personnel in each assessment area. Parent company personnel provide support to this process with data and some analyses. The company has started to revise its geographic analysis techniques. These revisions will help make the process conform to changes in CRA requirements and make this a more useful tool.

In reviewing the geographic distribution data, several factors must be considered to place this evaluation in context. The Myrtle Beach and Sumter areas are fairly small in deposits and loans with each community served by one FUNB-SC branch office. As such, the lending percentages can be easily affected by small changes in loan origination numbers. The 1995 HMDA data for the total MSA markets notes that Charleston and Sumter have lower average mortgage dollar totals going to LMI customers than the other parts of the state.

The following tables depict the bank's lending performance in 1995 and 1996. The lending numbers used in this category include all affiliates in the state including First Union Mortgage Corporation. The 1995 data from the Home Mortgage Disclosure Act (HMDA) materials comes from FUNB-SC public filings.

Table 1 - First Union National Bank of SC - 1995 HMDA Loans					
Assessment Area	% LMI Families by Income	% of LMI Loans in Overall Market	% of bank loans to LMI borrowers	Number of Total Originations	Total \$ Amount of Originations
Total State (MSA)	38	26.7	22.6	1,734	142,001
Charleston	38	22.7	20.6	422	39,054
Columbia	37	31.1	26.1	356	25,323
Florence	40	33.4	23.8	151	12,486
Greenville	37	28.5	23.6	636	52,443
Myrtle Beach	38	14.6	17.9	123	10,153
Sumter	39	27.0	8.7	46	2,542

*Note: The above data came from the bank's 1995 HMDA Loan Application Register filed with the Federal Reserve. The percentage of LMI population by income was calculated from 1990 Census Bureau figures. Assessment areas were determined by FUNB-SC designation. The total state figures include only the designated MSAs.*

Table 2 - First Union National Bank of SC - 1995 HMDA Loans					
Assessment Area	% of families in LMI CTs	% of Loans in Overall Market to LMI CTs	% of bank loans to LMI CTs	Number of Total Originations	Total \$ Amount of Originations
Total State (MSA)	20	12.1	10.0	1,734	142,001
Charleston	19	7.5	7.5	422	39,054
Columbia	25	18.2	16.7	356	25,323
Florence	29	24.8	4.6	151	12,486
Greenville	16	11.1	10.8	636	52,443
Myrtle Beach	3	1.7	3.3	123	10,153
Sumter	35	22.6	6.5	46	2,542

*Note: The above data came from the bank's 1995 HMDA Loan Application Register filed with the Federal Reserve. The percentage of LMI population by income was calculated from 1990 Census Bureau figures. Assessment areas were determined by FUNB-SC designation. The total state figures include only the designated MSAs.*

Tables 1 and 2 indicate that the bank's overall mortgage lending performance in 1995 was satisfactory to LMI and other income customers. The demographic comparators specify the percentage of LMI families (as determined by income or by residence in a LMI designated census tract) to total families.

The Myrtle Beach area had 1995 LMI lending percentages above the demographic comparator and/or above market average. The Charleston area had a LMI lending percentage equal to the market average, but below the demographic comparator. Conversely, the Sumter and Florence areas had lending percentages well below the market average.

<b>Table 3 - First Union National Bank of SC - Mortgage Loans</b>			
Assessment Area	% of households in LMI CTs	12 mo. ending 10/31/96	
		Total Number of Originations	% of originations in LMI CTs
<b>Total State</b>	<b>24</b>	<b>4,406</b>	<b>10.9</b>
<b>Charleston</b>	<b>24</b>	<b>916</b>	<b>8.2</b>
<b>Columbia</b>	<b>32</b>	<b>747</b>	<b>17.3</b>
<b>Florence</b>	<b>25</b>	<b>253</b>	<b>5.1</b>
<b>Greenville</b>	<b>23</b>	<b>766</b>	<b>13.4</b>
<b>Myrtle Beach</b>	<b>14</b>	<b>340</b>	<b>7.6</b>
<b>Sumter</b>	<b>32</b>	<b>83</b>	<b>7.2</b>

<b>Table 4 - First Union National Bank of SC - Consumer Loans</b>			
Assessment Area	% of households in LMI CTs	12 mo. ending 10/31/96	
		Total Number of Originations	% of originations in LMI CTs
<b>Total State</b>	<b>24</b>	<b>17,079</b>	<b>15.0</b>
<b>Charleston</b>	<b>24</b>	<b>2,535</b>	<b>14.3</b>
<b>Columbia</b>	<b>30</b>	<b>2,774</b>	<b>20.5</b>
<b>Florence</b>	<b>25</b>	<b>768</b>	<b>15.8</b>
<b>Greenville</b>	<b>23</b>	<b>4,096</b>	<b>13.7</b>
<b>Myrtle Beach</b>	<b>14</b>	<b>457</b>	<b>8.5</b>
<b>Sumter</b>	<b>32</b>	<b>344</b>	<b>14.0</b>

Tables 3 and 4 compare 1996 mortgage and consumer lending percentages in LMI census tracts to the appropriate demographic comparator. All of this data was supplied by FUNB-SC. Accordingly, the demographic comparators are different from those used in previous tables as the bank uses 1995 estimates from outside vendors. Tables 1 and 2 used 1990 Census Bureau information and updated income figures published by the U.S. Housing and Urban Development Department.

Tables 3 and 4 indicate FUNB-SC's overall lending performance in 1996 was satisfactory to LMI and other income customers. In Table 3, the Charleston area LMI lending percentage is well below the demographic comparator, but is higher than the corresponding percentage in Table 2. Also in Table 3, the Sumter and Florence areas show the greatest variance below the demographic comparator.

Table 4 shows all FUNB-SC assessment areas are below the demographic comparator, but the consumer loan LMI percentages are generally higher than their 1996 mortgage percentages. Accordingly, the consumer lending percentages are also closer to the comparator percentages.

<b>Table 5 - First Union NB of SC Distribution of Lending by Category in LMI Census Tracts</b>						
<b>Loan Type</b>	<b>10 mo. ending 10/31/95</b>			<b>12 mo. ending 10/31/96</b>		
	<b># of loans in LMI CTs</b>	<b>% of total loans in LMI CTs</b>	<b>\$ total of loans in LMI CTs</b>	<b># of loans in LMI CTs</b>	<b>% of total loans in LMI CTs</b>	<b>\$ total of loans in LMI CTs</b>
<b>Mortgage</b>	225	13	7,065	480	11	24,834
<b>Consumer</b>	2,480	14	18,283	2,562	15	21,174
	2,705	14	25,348	3,042	14	46,008

Table 5, constructed from FUNB-SC supplied data, shows reasonable lending penetrations in LMI census tracts on a statewide basis. In addition, FUNB-SC made 149 (\$8 million) loans to small businesses in LMI census tracts as of 10/31/96 which represented 21% of total loans in LMI census tracts. For the year 1996, the bank made 775 loans (\$45 million) to businesses with gross annual revenues of \$1 million or less

**Assessment Factor G** - The institution's record of opening and closing offices and providing services at offices.

- ◆ **FUNB-SC provides banking services to all segments of its assessment areas.**
- ◆ **The bank's record of opening and closing offices has not adversely affected the level of services available in low- and moderate-income areas.**

The bank offers service to its customers through 55 branches. Approximately 11% of these branches are located in LMI census tracts.

Between January 1, 1995 and July 1, 1996 the bank closed 17 branches. Four of the closed branches were located in low- and moderate-income neighborhoods. Before branches in LMI areas are closed, management normally contacts influential members of the local community to discuss the potential closing and adverse impact on the community.

The "Branch Closings, Consolidations and Reductions in Service" policy requires management to perform a detailed analysis prior to reducing services or closing any branches in any low- to moderate-incomes areas. This analysis includes the potential impact to residents and alternative solutions to a proposed reduction in service. The policy provides guidelines for :

- branch closures,
- branch consolidations,
- branch relocations,
- reductions in service, and
- branch/ATM divestitures.

A review of the policy shows that FUNB-SC has adopted a strategy to reduce the number of branch facilities while improving the overall level of service to its customers. The corporation has pledged to adopt effective written policies and procedures that minimize any adverse effect such actions may have on the communities served.

The First Union policy requires each bank to:

- objectively determine those branches which should be closed, consolidated, or have services reduced;
- consider alternative solutions such as adjusting branch hours and services, including the use of ATMs;
- identify and examine options that minimize potential adverse effects and inconvenience on the communities; and
- communicate anticipated changes to affected customers and communities with sufficient advance notice to minimize adverse effects and inconvenience.



Before taking action, each bank evaluates several factors outlined in the policy. If the bank decides to proceed, management completes the appropriate forms to obtain final approval from the bank President and Board of Directors. The CRA coordinator receives copies of the forms. When an action impacts a low- and moderate-income community, the policy outlines that one or more of the following steps be taken as appropriate:

- complete an analysis,
- make community contacts, and/or
- review the credit need ascertainment calls.

These steps help to identify other alternatives and to more fully evaluate the issues. Bank management uses input from the Marketing Division, Real Estate Division, and State CRA Coordinator to explore potential remedial actions to improve any identified recommendations.

#### IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

**Assessment Factor D** - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

- ◆ **The bank solicits credit applications from all segments of the community, including low- and moderate- income areas.**
- ◆ **We did not find any practices intended to discourage credit applications on a prohibited basis.**

FUNB-SC actively solicits applications from all segments of its delineated communities including low- and moderate-income areas. The Board and management have developed a number of programs to ensure compliance with fair lending laws and provide equal access to credit.

Management committees have been formed to oversee the bank's fair lending initiatives. Major departments of the bank are represented on these committees, including a corporate department which was created to manage the overall fair lending activities of the company.

Detailed, formal policies, procedures and training programs have been developed to help ensure the institution does not illegally discourage or pre-screen applicants. First Union has developed and provided a fair lending training program for its employees to ensure they understand the legal requirements as well as bank policies and procedures. The company uses videos, formal training sessions, and on-the-job training to ensure employees become familiar with the fair lending laws and regulations. In addition, the bank conducts diversity training sessions for its employees.

FUNB-SC has established several processes to ensure applicants are treated fairly. These processes include, but are not limited to, a "second review" program and a comparative analysis of loan files. The bank conducts a second review on proposed denials of loans subject to HMDA. This review occurs prior to the issuance of a denial or adverse action notice to the applicant(s). The comparative loan review process, applied on a regular basis, enables the bank to monitor compliance with fair lending laws and to assess the effectiveness of its fair lending programs. The process includes activities to evaluate actions for fair treatment of all applicants.

**Assessment Factor F** - Evidence of prohibited discriminatory or other illegal credit practices.

**o We noted no evidence of discrimination or other illegal credit practices.**

We performed an examination for compliance with the Equal Credit Opportunity Act (ECOA) and the Fair Housing Act (FHA) in conjunction with this CRA examination. We reviewed the bank's policies and procedures for conformance with these laws and regulations, and conducted tests to check for any areas of noncompliance. Our comparative file analyses for racial and gender discrimination did not detect any instances of illegal disparate treatment or discrimination.

The comparative file review of HMDA applications received during 1995 tested First Union actions to determine if any instances of racial discrimination occurred. We reviewed and compared 368 denied minority transactions to 645 approvals for white applicants sampled from all national banks within First Union plus its mortgage company. The above total includes 315 minority denials and 502 white approvals originated by all of the individual banks. The remaining applications represented 53 minority denials and 143 white approvals received by First Union Mortgage Corporation. In accordance with OCC procedures, minorities selected for comparison purposes represented American Indian, African American, and Hispanic applicants.

The other aspect of our testing included a comparative file review for gender discrimination. For automobile loans through one of the corporation's significant lending units, we reviewed and compared 124 denied female applicants to 226 approved male applicants.

**V. COMMUNITY DEVELOPMENT**

**Assessment Factor H** - The institution's participation, including investments, in local community development and redevelopment projects or programs.

- ◆ **FUNB-SC has maintained, through ongoing efforts, a high level of participation in development and redevelopment programs and projects within its communities.**
- ◆ **The bank has established many productive relationships with government and private sector representatives and has demonstrated a strong willingness to participate in identified programs.**

During 1995 and through October 31, 1996, FUNB-SC participated in 43 development and redevelopment programs. The bank has been involved in direct loans, commitments, and investments for development and rehabilitation of affordable housing for low- and moderate-income individuals. The bank has also partnered with various communities to create programs designed to promote economic development through small business and small farm lending.

Through these programs, the bank has made loans totaling \$33.8 million. Additionally, the bank has \$12 million in unused lines of credit and commitments available for various community development projects. Some examples of the bank’s efforts are detailed below:

- FUNB-SC, in conjunction with the City of Columbia, has developed a program to revitalize low- and moderate-income neighborhoods within the city. The program is designed to encourage individuals to purchase and rehabilitate homes within Columbia city limits. During this evaluation period, FUNB-SC has provided approximately \$4.9 million in loans under this program.
- FUNB-SC participates in the Charleston Bank Loan consortium that provides mortgage financing for low- and moderate-income individuals in the city of Charleston. During the evaluation period, the bank has committed \$1 million to this project and has already extended \$268,000 to low- and moderate-income individuals for home purchases.
- Through the Accabee Housing Partnership, FUNB-SC has partnered with the County of Charleston to provide affordable financing for the rehabilitation and reconstruction of housing for low- and moderate-income individuals. The bank has committed \$225,000 to the program with \$30,000 extended during the evaluation period.
- The Greenville Urban League Community Housing Corporation was organized to provide assistance with revitalization of the Viola Street Community in Greenville. FUNB-SC has entered into a partnership with this corporation to assist with these efforts. The bank has committed \$225,000 with \$20,000 currently outstanding.

- FUNB-SC has partnered with the Native Island Business and Community Association in Hilton Head to fund a micro-loan program for small business lending needs in the area. The bank has provided an \$80,000 line of credit for business purpose loans such as acquisition of equipment or working capital needs.
- FUNB-SC has partnered with various groups to provide creative financing for small businesses in targeted neighborhoods of certain communities. For example, the West Greenville Loan Pool is designed to provide capital to new and existing small businesses in identified low- and moderate-income areas. The bank has committed \$200,000 to this program with \$12,000 currently extended.
- FUNB-SC has participated in several real estate development projects for the construction of multi-family affordable housing units for low- and moderate-income individuals. The following summary provides additional information on the bank's commitments to these projects.
  - \$120 thousand loan for a 48 unit complex in Fort Mill
  - \$5.6 million loan for a 144 unit complex in Rock Hill
  - \$5 million loan for a 134 unit complex in Greenville
  - \$7.4 million loan for a 180 unit complex in Irmo
  - \$4.2 million loan for a 56 unit complex in Beaufort
  - \$4.7 million loan for a 128 unit complex in Lady's Island

**Assessment Factor K** - The institution's ability to meet various community needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

- ◆ **The bank's performance in helping to meet the credit needs of its delineated communities is consistent with its size, financial capacity, and economic condition.**

There are no limitations that may prevent FUNB-SC from helping to meet community credit needs. Please refer to the **Bank and Community Profile** section of this performance evaluation for information on the profile of the bank and its community.

**Assessment Factor L** - Any other factors that, in the regulatory authority's judgement, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

- ◆ **FUNB-SC has engaged in other meaningful activities which contribute to the bank's efforts to help meet community credit needs.**

Examples of projects which enhance the community include:

- Choices and Decisions: Taking Charge of Your Life is an educational program designed for high school students which is developed by Visa U. S. A. in cooperation with the United States Office of Consumer Affairs and the National Consumers League. The program teaches personal financial management skills to students throughout the state. FUNB-SC administers the program at schools in South Carolina.
- School Savings Banks are offered by FUNB-SC in partnership with elementary and middle schools throughout the state. The School Savings Banks are designed to assist students in learning the importance of saving money. The students operate the bank with the assistance of a bank employee and they learn to handle money carefully and responsibly. They also learn customer service skills as they operate the banks. FUNB-SC pays the regular savings interest rate for these deposits and sends each customer a quarterly statement. FUNB-SC currently has established programs throughout the state.
- The bank has made several charitable contributions to various community organizations within the state totaling \$198,049. This includes donations made through the First Union Foundation which is a private, non-operating foundation funded by First Union Corporation which provides grants to eligible charitable organizations.
- Employee membership and participation in a variety of community, civic, and government organizations. These efforts have resulted in over 5,900 hours of volunteer involvement by FUNB-SC employees and managers.
- FUNB-SC has purchased \$69 million in state and county municipal investments during 1995 and through October 31, 1996. In addition, the bank has extended municipal leases for a variety of purposes to serve their rural communities totaling \$4.7 million during the assessment period.

## ADDITIONAL INFORMATION

### Corporate and Local CRA Programs

FUNB-SC has access to the Corporate CRA staff based in Charlotte, North Carolina, which coordinates CRA activities throughout First Union. The Corporate CRA staff provides various types of support which include analytical tools and communications, such as publication of a CRA newsletter. Several aspects of the bank's CRA activities have been influenced by the parent company, First Union Corporation. The remainder of this section summarizes basic components of the corporate program.

### CRA Policy

The First Union Community Reinvestment Policy has been updated to reflect the recent changes in CRA and has been distributed to all of the individual banks. The policy was designed to provide overall guidance to the Corporation, its Directors, management and all employees to continually renew the First Union dedication and commitment to serve credit needs of all its communities. Administration of the policy remains a corporate-wide responsibility under the overall direction of the Boards of Directors for First Union and each state.

### CRA Organization Structure

The Boards of Directors have identified committees and individuals to focus on CRA activities and to receive periodic reports to help keep the Directors informed. The Boards receive administrative support for CRA through committees, local advisory boards, officer positions and teams that work closely with CRA related activities.

The corporate and bank Audit Committees monitor compliance for their respective Boards and report to the Directors at least quarterly. The Audit Committees receive quarterly reports from the Director of Community Reinvestment at the corporate level or from the appropriate Regional CRA Coordinator at the bank level.

The Corporate CRA Steering Committee has overall responsibility to implement the policy throughout First Union. This committee monitors and supervises compliance with the policy on behalf of the Boards of Directors. The Vice Chairman of the corporation chairs the committee which includes executive officers from major department areas and bank presidents for each state.

Regional CRA Self-Assessment Committees have the overall responsibility to implement the policy in the states and to assess compliance with policy relative to performance. For each region, this committee reviews and analyzes the ascertainment efforts as well as the results to address community credit needs. The state President chairs this committee.

The Corporate CRA Staff has the responsibility to interface with the CRA committees to implement the policy throughout the corporation. Included as part of this staff, a senior level officer serves as the Corporate Director of Community Reinvestment. The ongoing activities

relative to CRA are undertaken by other officers who serve as Assistant Director of Community Reinvestment, CRA Lending Manager, Fair Lending/Home Mortgage Disclosure Act Manager, Communications Manager, Regional CRA Coordinators and Community CRA Coordinators.

Regional CRA Coordinators have the responsibility to interface with the Corporate CRA Staff and the appropriate state CRA committee to implement the policy in each state. The state coordinators receive support from the various local area coordinators.

#### Reporting

The policy requires no less than quarterly reports to the Board of Directors, or committees thereof. First Union also uses quarterly data for most reports as it implements the policy and monitors community reinvestment performance focusing on results.

#### CRA Plans

A formal CRA Plan to direct the CRA activities is in process of being updated to reflect the changes in the regulation. The plan will serve to affirm the company's commitment to help meet the needs of LMI individuals in community serviced by the First Union banking operations. The plan will highlight the overall process to implement the Community Reinvestment Policy.

#### Board Reviews

In addition to periodic reports, the Board reviews other CRA related material. Annually, the Board reviews and adopts the bank's CRA statement and the local community delineations. The Board also approves the CRA plan which contains policies and procedures for implementing CRA.

#### Self-Supervision

First Union and its subsidiary banks have established a system to ensure compliance with the basic technical requirements of the Act. The corporation relies upon the Internal Audit Division and the Regulatory Compliance Division to monitor performance and test compliance under the Act. In addition, the Branch Operations area has the responsibility to monitor compliance with the technical requirements of the Act.

#### Regional Self-Assessments

First Union has implemented a process to evaluate its own performance under the Act. Regional self-assessments of performance have been made on an annual basis. The Regional CRA Self-Assessment Committee receives reports on the evaluation results. Each bank uses other, more frequent, reviews in the interim to monitor the progress of each community.

#### CRA Training

Board of Directors and senior management have actively supported CRA training for bank and corporate personnel. The CRA related training conducted in 1996 adequately covered the technical and regulatory requirements of the Act, CRA reform and a reemphasis on roles and

responsibilities. Throughout First Union, training was provided to the Board of Directors, senior management, area presidents, CRA coordinators, Self-Assessment Committee members, branch managers, lending officers, tellers and customer service representatives. Computer based training was also provided to new and existing employees. The CRA Manual used in the training sessions, which is in process of being updated to reflect the regulations revisions, serves as a reference tool at the branch levels. First Union also included training sessions directed to promote fair lending throughout the corporation.

CRA Public File

We encourage the readers of this Performance Evaluation to contact the bank to review information contained in the public file.