



**Office of the Comptroller of the Currency
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PUBLIC DISCLOSURE

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

May 31, 1997

**First Union National Bank of Virginia
213 South Jefferson Street
Roanoke, Virginia 24011**

Charter Number 2737

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 Virginia**, 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 community. 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

- Institution 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

Institution Profile

First Union National Bank of Virginia (FUNB-VA) 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. The January 1996 acquisition of the Newark, New Jersey, based *First Fidelity Corporation* represents an increase in total assets by approximately \$60 billion. This acquisition of *First Fidelity Bank, N.A. (FFB)* expands the company's presence in several northeastern states, including the nearby Washington, D.C. and Maryland markets.

FUNB-VA has total assets of **\$11 billion** and is the fourth largest bank in the state, based upon year-end 1996 assets. The bank operates 141 branch offices located in various areas of the state. FUNB-VA provides financial services in seven (7) of the state's eight (8) Metropolitan Statistical Areas (MSAs). This area includes 68 of the 136 counties and independent cities within the state. A sizeable portion of the communities served by FUNB-VA are outside of MSAs; these non-MSA areas are largely rural, consisting of 27 counties and three (3) independent cities. The communities delineated by the bank are reasonable and do not arbitrarily exclude any low- and moderate-income areas. Refer to the **Community Profile** section for more information.

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 \$8.8 billion at year-end 1993. This Performance Evaluation reflects an assessment of the bank's activity since the previous evaluation through May 31, 1997, based primarily upon data for 1995 and 1996.

Community Profile

Based upon the most recent Census Bureau data (1990), the Virginia population equals 6,187,358 persons, with 10% of the households living below the poverty level. For the state, 36% of the families reflect low- and moderate-incomes. As previously stated, FUNB-VA has provides services to residents in several MSAs. The following data is presented by MSA although the bank may only serve a portion of the area.

Delineated Communities	Population (1990 Census)	1996 HUD MSA Median Family Income	LMI Families (% of Total Families)
Charlottesville MSA: Albemarle and Charlottesville Counties	108,000	\$48,000	36%
Johnson City MSA: Bristol and Washington Counties in VA and Sullivan County ¹ in TN	125,000	\$31,700	40%
Lynchburg MSA: Bedford County	46,000	\$38,700	32%
Norfolk MSA: Chesapeake, Gloucester, Isle of Wright, Matthews, Newport News, Virginia Beach, Williamsburg, and York Counties and the independent cities of Hampton, James, Norfolk, Poquoson, and Portsmouth	1,339,000	\$42,100	37%
Richmond MSA: Chesterfield, Hanover ² , and Henrico Counties and Richmond City	664,000	\$49,300	36%
Roanoke MSA: Botetourt and Roanoke Counties and the independent cities of Roanoke and Salem	224,000	\$43,300	37%
Washington DC MSA (Virginia portion): Arlington, Clarke, Fairfax, Falls Church, Fredericksburg, Loudoun, Manassas, Prince William, Spotsylvania, and Stafford Counties and the independent cities of Alexandria, Fairfax, and Manassas	1,616,000	\$68,300	30%

¹ Consists of a portion of Sullivan County.

² Consists of a portion of Hanover County.

Delineated Communities	Population (1990 Census)	1996 HUD MSA Median Family Income	LMI Families (% of Total Families)
Non-MSA Counties/Cities: Alleghany, Augusta, Bath, Buchanan, Buena Vista, Carroll, Clifton Forge, Covington, Dickenson, Frederick, Giles, Grayson, Harrisonburg, Henry, Lexington, Montgomery, Rockbridge, Rockingham, Russell, Shenandoah, Smyth, Staunton, Tazwell, Waynesboro, Winchester, Wise, and Wythe Counties; and the independent cities of Galax, Norton, and Radford	849,000 ³	\$33,600	37%

The following is additional demographic information for three of the largest MSAs within the bank’s delineated communities (Washington, D.C.; Richmond; and Roanoke).

Washington, D.C. MSA (Virginia portion)

There are 13 Virginia counties and independent cities that represent the bank’s delineated community within the multi-state Washington, D.C. MSA. The Virginia portion which represents this bank’s community consists of 408 census tracts with the following income distribution: .5% low-income, 12.5% moderate-income, 42% middle-income, 28% upper-income, and 17% with no population.

The MSA median family income is \$68,300. The percentage of low-, moderate-, middle-, and upper-income families within the bank’s delineated community are 13%, 17%, 26%, and 44%, respectively. The number of households which live below the poverty level equals 3%, which is significantly less than the 10% level noted for the entire state.

Three of the major Virginia counties within the multi-state Washington, D.C. MSA are Prince William, Fairfax, and Arlington. Prince William County is located approximately 35 miles southwest of Washington, D.C. One important and unique characteristic of this county is that about one fourth of the county’s land use is owned and operated by the federal government in the form of national parks and military bases. Also, about one half of the land is zoned agricultural and lies undeveloped without significant infrastructure (such as water, sewage, paved roads). The remaining quarter of land is zoned residential and light business. The population has experienced a dramatic growth from 145 thousand in 1980, to 216 thousand in 1990, to 244 thousand in 1994. Projections anticipate the population will grow to 276 thousand by the year 2000. The economy

³ Aggregate population of the 30 counties.

is diversified. According to 1990 Census data, 64% of all jobs were found in the private sector; another 27% of the jobs are in the federal, state, and local government sector.

Richmond MSA

The bank's delineated community consists of Chesterfield, Henrico, and part of Hanover counties and the city of Richmond within the 12 county MSA. The FUNB-VA delineation consists of 195 census tracts with the following distribution: 8% low-income, 21% moderate-income, 40% middle-income, 24% upper-income, and 7% unpopulated. About 9% of the households live below the poverty level.

The MSA median family income is \$49,300. The percentage of low-, moderate-, middle-, and upper-income families, within the bank's delineated community equal 19%, 17%, 24%, and 40%, respectively.

The city of Richmond is the state's capital. Richmond is a blend of historical character and new modern tradition; a city that has experienced economic growth. Between 1980 and 1995, significant changes occurred pertaining to population size and composition. The population decreased 7% from 1980 to 203 thousand in 1990, with the most significant decline occurring in couples, especially those with school age children. Despite the decline in population, the city has a growing economy primarily in the service, finance, insurance, and real estate sector.

Norfolk MSA

The bank's delineated community consists of 11 of the 14 counties and independent cities within the MSA. The delineation consists of 316 census tracts, with the following distribution: 9% low-income, 21% moderate-income, 38% middle-income, 24% upper-income, and 8% with no population. About 11% of the households live below the poverty level.

The MSA median family income is \$42,100. The percentage of low-, moderate-, middle-, and upper-income families within the bank's delineated community equal 18%, 19%, 24%, and 39%, respectively.

Norfolk is the historic center of the Hampton Roads region, and represents 18% of the Hampton Roads area population. Norfolk is an extensive seaport on the Virginia coastline that is home to the world's largest naval base. The seaport is the second largest on the East Coast after New York and is a primary distribution point for the fishing industry. The manufacturing sector is becoming a smaller part of the regional economy due, in part, to an estimated 30 to 35% decline in the ship building industry over the last few years. Tourism is also a major business of the region, with the service industry growing as well. With almost all of the city completely developed, Norfolk's opportunities for growth are limited because it is surrounded by other cities or water.

SUMMARY OF INSTITUTION'S PERFORMANCE

Institution's Rating:

Based on the findings presented, this institution is rated **“Outstanding record of meeting community credit needs.”**

Performance Highlights:

- o FUNB-VA has developed loan programs to help meet community credit needs pertaining to affordable housing, small business, and consumer loans in response to identified credit needs. Three affordable mortgage programs were introduced as recently as June of 1996.
- o FUNB-VA has demonstrated a leadership role with a high level of involvement in community development activities.
 - The bank played an instrumental role in working to obtain state funds for the Virginia Enterprise Initiative to promote micro-lending programs in rural and urban Virginia. While the programs are varied, this funding initiative encourages and supports new and growing businesses in the communities.
 - FUNB-VA joined several of the microloan programs that relate to areas throughout the bank’s communities and has provided \$260 thousand in funding.
 - The bank designed a special pricing promotion for its *Affordable Home Mortgage* product and used it to respond to the state’s offering of the *HomeStart* program. In addition, several mortgage lenders helped with the home buyer counseling sessions required by the *HomeStart* program.
- o Residential real estate volume at \$1 billion in originations has increased almost 2 ½ times the volume noted in the 1994 public disclosure (\$330 million).
- o To address various housing related needs, recent origination activity for FUNB-VA includes the following, with the first three introduced 6/96:

- Affordable mortgage loans	435 totaling \$ 37 million
- Neighborhood development loans	1 totaling \$ 40 thousand
- Community partnership mortgages	4 totaling \$223 thousand
- Fannie 97 program loans	3 totaling \$236 thousand
- Special Home Improvement loans	214 totaling \$ 2 million
- o The bank offers other consumer products designed to better serve LMI consumers. This includes the Special Vehicle product where \$18 million in credit was provided for 1941 loans, and the Secured MasterCard where 833 loans total \$607 thousand.

- o The bank continues to provide funding for student loans with \$48 million generated during the evaluation period.
- o FUNB-VA also continues to actively participate in government related programs. For three programs, the loan amounts represent 8% of mortgage loan originations.
 - Small Business Administration lending continues and is supplemented with the First Union *Small Business Banking Division* program.
 - In Virginia, 1481 of loans to businesses with gross annual revenues of \$1 million or less have been made and total \$74 million.
- o The number of loans (mortgage, consumer and small business) made in LMI areas has continued an increasing trend, about 19% of those loans were made in LMI areas.
- o Based upon the MSA geographic areas, FUNB-VA effectively reaches the LMI areas of its communities. However, since a large portion of the bank's communities are outside of MSAs, the volume of lending to LMI borrowers is more reflective of the bank's effectiveness. From this perspective, even higher percentages are shown with 28% of bank loans to LMI borrowers; this level is even above the market (27%).
- o In addition to direct loans to consumers, FUNB-VA participates in community development loans and projects. Such highlights from the 1996 investment of \$49 million are referenced in the **Community Development** section.
- o Examples of tax credit investments (\$23 million) listed in this document represent 689 housing units.
- o During the evaluation period, FUNB-VA disbursed \$2.7 million in the Federal Home Loan Bank Affordable Housing Program to help serve the communities.
- o FUNB-VA has provided technical assistance, revolving loan funds, rehabilitation loan funds, awards, grants and has served as a partner in the varied and diverse communities across the state to help address credit needs.
- o A review of the records indicate that FUNB-VA has responded to available opportunities.

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.

- o FUNB-VA has effectively determined the credit needs of its delineated communities, including low- and moderate-income areas, and has responded pro-actively to these needs.**

Bank directors, officers, and employees at all levels have ongoing meaningful contacts with a large range of groups and individuals to ascertain community credit needs. FUNB-VA uses a formal officer call program as the primary method to ascertain community credit needs.

During 1994, 1995, and 1996, bank employees met with business owners (small- and minority-owned businesses), community development corporations, housing advocacy groups, church leaders, representatives from city and county government, realtors, and other community organizations. Through these contacts, the bank has established productive relationships that have resulted in public and private partnerships. These partnerships have assisted the bank in meeting credit needs pertaining to affordable housing, small business loans, and credit counseling.

The bank also used community dialogue meetings, known as Focus Groups, to discuss community development activities and credit needs in the area of Hampton Roads, Bristol, Roanoke, Fairfax, and Winchester counties. Participants in these and other meetings represent a cross section of individuals with housing, business, religious, community, and governmental backgrounds that share relevant information concerning community credit needs.

FUNB-VA representatives document community contacts, ascertain credit needs and submit quarterly reports to the Self Assessment Committee (SAC). Information from these contacts are then used to develop action plans for the bank's delineated communities. These plans help the bank address identified credit needs which include: affordable housing loans (single- and multi-family), home improvement loans, consumer loans, small business loans, small farm loans, secured credit cards, and small business credit cards.

These community credit needs were verified during our examination by reviewing a combination of prior community contacts, prior examination findings, economic and demographic data, and U.S. Department of Housing and Urban Development Consolidated Strategies and Plans for several delineated communities. Consolidated Strategies and Plans are comprehensive planning

documents that identify community needs for affordable housing and other related services/activities.

The Board of Directors and senior management are highly proactive and responsive in addressing community credit needs. FUNB-VA offers special loan products with flexible lending criteria to help make credit more widely available throughout its communities. Examples of these products include: Special Vehicle Loan, Special Home Improvement Loan, Secured MasterCard, Visa Business Card, and several affordable home mortgage loans. The characteristics of these loan programs and the bank's Small Business Banking Division are discussed in more detail under **Assessment Factor I.**

On a semi-annual basis, management analyzes demographic information for each delineated community and identifies the bank's lending activity in all census tracts. Census tracts with a low volume of loans are targeted for increased marketing and outreach activities.

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.

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

The CRA SAC exercises active policy oversight and conducts quarterly reviews of CRA activities and performance. The committee is chaired by the President and Chief Executive Officer. Committee members also include senior management from various areas of the bank. A CRA program has been established to ensure community credit needs are met.

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

Directors, advisory directors, and senior management actively participate in a variety of organizations that assist the bank in improving its delineated communities. Examples of these organizations include: Virginia Economic Development Authority; Shenandoah Valley Economic Education, Inc.; Virginia Housing Coalition; Habitat for Humanity; Roanoke Economic Development Partnership; Hampton Roads Economic Development; and the United way.

The Board actively supports CRA training for all personnel and ensures all CRA regulatory requirements are met.

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.

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

FUNB-VA develops a written marketing plan on an annual basis in conjunction with the First Union corporate plan. The corporate plan outlines objectives, defines markets, and highlights the marketing strategies. First Union conducts corporate wide advertising campaigns which are supplemented by subsidiary bank campaigns. Market penetration reports and audience profiles are used when developing specific marketing strategies.

Marketing and advertising of credit products are primarily accomplished by aggressive officer calling programs and meetings with community groups. These marketing programs are geared towards individuals in low- and moderate-income areas. Bank staff are actively involved in a variety of community organizations which afford FUNB-VA the opportunity to market credit products that were identified as credit needs.

FUNB-VA also advertises specific credit products through local newspapers, direct mail campaigns, magazines, radio, and telemarketing. Many of bank's advertisements are specifically targeted to LMI individuals and to address identified credit needs. Examples of specific products marketed include: affordable home purchase and home improvement loans, home equity lines of credit, affordable automobile loans, credit cards, and small business loans.

FUNB-VA also markets its credit products when sponsoring or participating in neighborhoods fairs, affordable mortgage presentations, community home buyer seminars, credit counseling seminars, and small business seminars. Complete marketing and advertising records are maintained and reviewed for compliance with applicable laws.

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.

- o FUNB-VA has taken steps to address a significant portion of the identified community credit needs through the origination and purchase of loans.**
- o The lending levels are responsive to help meet the most pressing credit needs.**
- o Loans are primarily generated within the bank’s delineated communities.**

FUNB-VA offers and extends several different loan products for the purchase and improvement of residential properties, including specialized products for persons with low and moderate incomes. The bank also makes available a variety of loans to small businesses and small farms. In addition, FUNB-VA participates in various loan programs at the local, state, and national levels that provide affordable loan products to qualified individuals and businesses. The table below illustrates data on loan originations for the past two years.

Loan Originations		
Loan Type	#	\$ (000s)
Residential Real Estate*	16,859	\$1,112,082
Small Business**	1,481	74,562
Small Farm	105	6,602
Consumer***	128,796	1,202,497
Total	147,241	\$2,395,743

* Residential loans consist of home purchase, mortgage refinance, home improvement and home equity credit lines
 ** 1996 data on loans to businesses with gross annual revenues of \$1 million or less
 *** Consumer loans consist of vehicle loans, revolving credit, other secured and unsecured loans

Due to the rural nature of many Virginia communities, FUNB-VA is an active lender to the farming community and has a specialized agricultural lending staff. This specialized lending unit frequently participates in and supports statewide agricultural events through organizations such as the Cattleman's and Dairyman's Association as well as 4-H events. During 1995 and 1996, the bank originated 70 loans totaling \$15.1million under this program. In addition, the bank has initiated efforts to expand the agri-business team.

While the bank's traditional banking products help meet the credit needs of a significant portion of the communities, FUNB-VA also offers specialized credit products. These products are targeted at borrowers who would often not qualify for traditional lending products. The following descriptions highlight the features of these products. The number of loans originated in 1996 (January 1 through October 31, 1996) as well as the dollar volume of credit extended are also provided. These totals are product-specific and are included in the total originations previously listed.

Loan originations for mortgage products have increased while consumer loans have decreased from 1995 to 1996. Management has increased the marketing of the mortgage products. The first three products listed reflect the ones introduced in June of 1996.

o Affordable Home Mortgage Loan - 435 loans totaling \$36.5 million

This product features flexible terms to home buyers. Features include a low 5% down payment which can come from the borrower's funds, sweat equity, or a gift. In addition, higher than traditional loan-to-value and debt-to-income limits are offered. Mortgage insurance is not required.

o Neighborhood Development Loan - 1 loan totaling \$40 thousand

This loan can be used to purchase a home in designated low- and moderate-income census tracts. The borrower's income must be less than 120% of the HUD median income. Down payments can be as low as 5%, with at least 3% coming from the borrower's own funds. The other 2% can come from gifts, grants, sweat equity, or a loan. Higher debt-to-income ratios are allowed.

o Community Partnership Mortgage - 4 loans totaling \$223 thousand

The bank requires no down payment, but does require the borrowers to have \$500 of their own funds at closing. These funds may come from a grant, gift, or be paid by the seller. The bank will pay the closing costs in exchange for a 1/4% increase in the interest rate. Participation in home buyer counseling sessions is required. Eligibility is the same as the *Affordable Home Mortgage Loan*.

o **Fannie 97 Agency Mortgage** - 3 loans totaling \$236 thousand

This community lending product offers a low down payment feature of only 3%. Closing costs can come from gifts, grants, or loans. The program requires applicants to participate in financial counseling. The applicant income level must be below 100% of the HUD median family income.

o **Special Home Improvement** - 214 loans totaling \$2 million

The Special Home Improvement loan provides low dollar, long term housing rehabilitation loans. The minimum loan amount is \$1,500 and repayment periods extend up to 180 months. In addition to the flexible terms, First Union provides a 2% rebate of interest at the end of each year for borrowers who pay as agreed.

o **Special Vehicle Loan** - 1,941 loans totaling \$18 million

This product provides low dollar automobile financing for both new and used cars. First Union allows financing of vehicles up to seven years old with a minimum loan amount of \$2,500. Extended repayment terms are available to lower the borrower's monthly payments.

o **Secured MasterCard** - 833 loans totaling \$607 thousand

The Secured MasterCard provides credit to customers who do not qualify for traditional unsecured credit. The secured card allows the customer to re-establish credit and eventually graduate to a traditional, unsecured credit card.

First Union credit products are outlined in bank brochures which are available at branch offices. Brochures discuss credit products, available deposit products and services and delivery systems.

To better address the credit needs of small businesses, First Union developed a **Small Business Banking Division (SBBD)** which also serves the Virginia 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. In 1996, this Division originated 1,169 loans totaling \$115.3 million in the FUNB-VA communities. The table entitled **Loan Originations** on a prior page include 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.

- o FUNB-VA has continued to participate in government sponsored, guaranteed or subsidized loan programs for housing, small businesses, and small farms as a way to help meet community credit needs.**

The bank participates in several government related programs for housing, small business, and education. As noted under **Assessment Factor I**, the bank offers its own small business loan products which are designed to be flexible in helping to meet the credit needs of business owners. Such products have been emphasized through the focused division (SBBD), which limits concern for the low volume of loans under the government SBA program. The volume generated through SBBD indicates that FUNB-VA is effectively helping small businesses obtain financing through traditional lending channels.

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. The program's success indicates an ability to help meet customer needs which also results in the slight decline of SBA guaranteed loans.

FUNB-VA also offers comparable in-house credit products for housing and other consumer loans; these products are detailed in **Assessment Factor I**. FUNB-VA also originated \$42 million in student loans. The following summary reflects lending volume over the last two years under government related programs.

Government Program Lending		
Loan Type	#	\$ (000s)
Federal Housing Authority - FHA	404	\$ 35,609
Veterans Administration - VA	419	44,346
Virginia Housing Development Authority - VHDA	53	3,848
Mortgage Related Subtotal	876	83,803
Small Business Administration - SBA	11	2,258
Other	11	6,351
Total	898	\$ 92,412

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.

- o The geographic distribution of credit applications, extensions and denials is reasonable. Loan applications come from all income segments of the bank's assessment area and originations are also disbursed throughout the communities.**
- o In addition, management effectively identifies portions of the assessment areas that are under served and targets them for priority attention and resources.**

The following are analyses of bank's residential mortgage, consumer, and small business lending based on records for January through October 1995 and for the year ending October 31, 1996. The records illustrate an adequate distribution of lending among low- and moderate-income areas. Bank management also periodically identifies and targets potentially under served areas for priority attention and directs resources to ensure all parts of its assessment areas are being served. During our review, we also analyzed the bank's 1995 residential lending distribution as reported under the Home Mortgage Disclosure Act (HMDA). Our analyses included both the geographic location of the bank's residential loans and the extent to which the bank was lending to low- and moderate-income borrowers.

The following table details the bank's state-wide distribution of lending in low- and moderate-income areas and illustrates a reasonable penetration in low- and moderate-income areas of the bank's assessment areas. It also reveals that FUNB-VA is increasing its lending activity in its low- and moderate-income assessment areas as a percentage of overall lending.

State-Wide Geographic Distribution of Lending in Bank Identified Low- and Moderate-Income (LMI) Areas

Loan Type	1995 #	% of total # loans	1995 \$ (000s)	1996 #	% of total # loans	1996 \$ (000s)
Mortgage	484	10%	\$ 16,436	1,017	13%	\$ 64,615
Consumer	9,552	14%	66,942	13,160	20%	104,811
Small Business	NA	NA	NA	236	18%	13,196
Total	10,036	15%	\$ 83,378	14,413	19%	\$182,622

Note: Information is for FUNB-VA and its affiliates for the 10 months ending October 31, 1995 and 12 months ending October 31, 1996.

Distribution of Consumer Real Estate Lending

The following analyses of the distribution of consumer real estate lending was based on 1995 Home Mortgage Disclosure Act data for the bank and its affiliates. The analyses use median “family” income as the designation for low- and moderate-income census tracts. Our review includes a comparison of the bank’s distribution of lending with that of all lenders reporting activity in the same communities.

The following table identifies the percentage of owner occupied housing in low- and moderate-income census tracts and the number and dollar amount of loans reported in low- and moderate-income areas of each community. It also compares the bank’s percentage of loans in low- and moderate-income census tracts to the percentage of loans made by all lenders in the market for the same low- and moderate-income census tracts. The table indicates the bank effectively reaches low- and moderate-income areas of its assessment areas. It also reveals that the bank extended a larger percentage of its residential mortgage loans within low- and moderate-income areas than other lenders in the same markets, excluding the Johnson City MSA.

1995 Geographic Distribution of Consumer Real Estate Lending in LMI Areas

AGGREGATE RESIDENTIAL LENDING by Income Level of CT - 1995					
ASSESSMENT AREA	% of Owner Occupied Housing in LMI CTs	Bank % of Loans in LMI CTs	Market % of Loans in LMI CTs	Bank # of Loans in LMI CTs	Bank \$ of Loans in LMI CTs (000s)
Total State	43%	13%	11%	342	\$17,083
Charlottesville MSA	28	30	12	3	118
Johnson City MSA	59	7	19	3	106
Lynchburg MSA	0	0	0	0	0
Norfolk MSA	31	16	12	100	5,892
Richmond MSA	36	14	12	54	2,320
Roanoke MSA	41	19	12	75	1,558
Washington, D.C. MSA	37%	11%	9%	107	\$ 7,089

The following table reveals that the bank is making a reasonable percentage of its consumer real estate loans to low- and moderate-income borrowers. In the Lynchburg and Washington, D.C., MSAs, FUNB-VA made a higher percentage of its loans to low- and moderate-income borrowers than other lenders in the same area. The bank’s distribution among its other five metropolitan communities is generally very similar to that of other lenders in those areas.

**1995 Distribution of Consumer Real Estate Lending
By Borrower Income Level**

AGGREGATE RESIDENTIAL LENDING by Income Level of Borrower - 1995					
ASSESSMENT AREA	% of LMI Families	Bank % of Loans to LMI Borrowers	Market % of Loans to LMI Borrowers	Bank # of Loans	Bank \$ of Loans (000s)
Total State	34%	28%	27%	731	\$42,570
Charlottesville MSA	36	10	29	1	18
Johnson City MSA	40	23	28	10	215
Lynchburg MSA	32	41	22	29	488
Norfolk MSA	37	24	25	157	7,957
Richmond MSA	36	29	30	116	5,513
Roanoke MSA	37	31	32	120	3,248
Washington, D.C. MSA	30%	29%	27%	298	\$25,131

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

- o 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 141 branches. A majority of branch activity during the evaluation period relates to the Ameribanc Savings Bank and Columbia First mergers. For the 50 branch closings reviewed, nine were located in low- and moderate-income neighborhoods. Before branches in low- and moderate-income areas are closed, management normally contacts influential members of the local communities to discuss the potential closing and adverse impact.

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-income areas. This analysis includes the potential impact to residents and alternative solutions to any 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 First Union 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).

- o The bank solicits credit applications from all segments of the community, including low- and moderate-income areas.**

- o We did not find any practices intended to discourage credit applications on a prohibited basis.**

FUNB-VA 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-VA 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 the Home Mortgage Disclosure Act. 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.

- **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. This 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. This sample was selected from automobile loans since it represents significant lending for First Union. 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.

- o **FUNB-VA has a high level of involvement with community development activities.**

During 1996, FUNB-VA invested \$49 million in community development loans and projects. In addition, for 1995 and 1996, FUNB-VA made \$13.5 million and \$9 million, respectively, in tax credit investments. The bank also disbursed \$2.7 million in loans under the Federal Home Loan Bank Affordable Housing Program over the last two years.

The following comments provide some details on specific community development projects in which the bank has participated. We first summarize some activities that have a statewide impact and then follow with some that relate to specific markets.

Statewide:

- o **Virginia Enterprise Initiative (VEI)** - FUNB-VA was instrumental in working for state funds for the VEI, a program to promote micro-lending programs in the state. Early in 1995, the Virginia Governor and General Assembly earmarked more than \$1 million in the state’s budget to help start, or expand, 15 micro-lending programs in rural and urban areas. The programs are as varied as the communities they serve, but they all exist to encourage and support new and growing businesses in the communities.

VEI provides advice, resources, emotional and financial support to help people achieve the goal of owning a business. In addition to lobbying for state funding, FUNB-VA joined in the microloan programs; this activity is summarized below.

Partner	Geography	Funding
Rappahannock Area Development Corporation	Washington, D.C. MSA	\$ 10,000
Total Action Against Poverty (TAP)	Roanoke MSA	15,000
Portsmouth Community Development Corporation	Hampton Roads MSA	60,000
City of Richmond	Richmond MSA	100,000
Southside Community Development Corporation	Richmond MSA	75,000
Total		\$260,000

- o **Homestart** - FUNB-VA exhibited a leadership role when the State of Virginia announced the *HomeStart* program in 1995 for first-time home buyers. This state program offered 3%, 30 year mortgage loans for principal buy downs; 0%, deferred loans for closing cost assistance; and funding for home ownership counseling.

FUNB-VA designed a special pricing promotion for the *Affordable Home Mortgage* product when used in a HomeStart partnership where the bank discounted the rate an additional 25 basis points from the current market rate. This discount, blending with the discount point waiver, helps to save clients thousands of dollars over the life of the loan.

FUNB-VA initiated various partnerships within the state to promote this program. Some of those include: VMH, Inc.; Threshold, Inc.; Scenario, Inc.; People, Inc.; and the City of Roanoke/Roanoke Redevelopment and Housing Authority. Since home buyer counseling is a mandatory part of *HomeStart*, several mortgage lenders participated in the seminars.

- o **Federal Home Loan Bank Affordable Housing Program** - As a member of the Federal Home Loan Bank of Atlanta (FHLB), FUNB-VA utilizes the Affordable Housing Program

and the Community Investment Fund (CIF) program to promote community development efforts.

FUNB-VA is the largest promoter of this program in Virginia and is currently managing 26 affordable housing projects. These projects total \$7.3 million in subsidies or below market rate loans and represent 1,117 housing units with community partners in all areas of the state. The following chart highlights some of the projects initiated during this assessment period.

FHLB Project	Number of Units	Subsidy Dollars	Community Partner
Chirilagua Coop	256	\$ 994,000	Tenant Workers Support Corp.
Habitat For Humanity	4	20,000	Staunton - Augusta Chapter
Helping Hand Program	34	150,000	Richmond Neighborhood Housing Service
South Richmond Single Room Occupancy	39	100,000	Richmond Single Room Occupancy
Habitat for Humanity	14	70,000	Roanoke Chapter
Total	374	\$ 1,334,000	

The work that FUNB-VA has achieved in affordable housing in these two programs and its proprietary products won the bank the Governor’s Housing Achievement Award in 1995.

- o **Multi-Family Affordable Housing Tax Credit Projects** - FUNB-VA has demonstrated a leadership position in providing multi-family affordable housing in various communities. The bank has accomplished this by being involved in all facets of the transaction, including providing construction loans, permanent loans, letters of credit, as well as purchasing the investment tax credits for the related project. The tax credit is ultimately equivalent to an equity interest in the project. The following table lists many of the projects in which FUNB-VA has demonstrated its leadership during the evaluation period.

Project	Number of Units	Type of Credit Facility	Dollars \$(000's)
William Byrd Hotel	107	Construction and Equity Investment	\$ 2,700 4,600
Bowler Housing	62	Equity Investment	4,200
Hearthwood	200	Equity Investment	2,300
Tobacco Row	60	Equity Investment	2,300
Meadows	100	Equity Investment	3,300
Salem Run	160	Equity Investment	5,700
Total	689		\$25,100

The FUNB-VA participation sometimes represents a sizable portion of the total funding. For example, based upon 1996 data, the investment in the Bowler Housing project represents about 70% of the total funding and it is 57% of the Tobacco Row project funding. On the Hearthwood project, the investment represents 27% of the total funding.

In addition, FUNB-VA maintains an equity investment of \$17.3 million in another six projects, providing another 932 units of affordable housing.

Market Specific:

- o **Bristol MSA** - FUNB-VA established a \$50,000 revolving note to provide construction financing for **People, Inc.** FUNB-VA is also involved with this organization's microloan program, *Business Start*. In 1996, FUNB-VA donated a large amount of furniture to this group to assist in furnishing the new facilities.
- o **Roanoke MSA** - FUNB-VA paired up with Habitat for Humanity in the Roanoke Valley for the **Kellogg Avenue Project**. The \$70,000 in direct subsidy financing obtained through the Federal Home Loan Bank's Affordable Housing program provided for 14 units of new residential housing.
This Valley Works a part of Total Action Against Poverty (TAP) - FUNB-VA provided a \$15,000 loan to implement a microloan program through TAP. FUNB-VA personnel rotate participation on the loan review committee.
- o **Lynchburg MSA** - First Union Mortgage Corporation personnel are involved with providing technical assistance and training to members of the **Blue Ridge Housing Network's Home Buyers Club**. The Club's objective is to prepare people for home ownership and to provide financial counseling. The financial counseling includes educating individuals on saving for down payments and closing costs. The Club's territory includes the Lynchburg area, as well as the Roanoke area.
- o **Richmond MSA** - FUNB-VA provided a letter of credit for \$3.2 million for **Goodwill Industries**. The May 1996 letter of credit supported a \$3.1 million bond issue for a new building and equipment.

As part of its commitment to local communities, FUNB-VA funded \$3.8 million of the \$6.5 million rehabilitation of an abandoned hotel into 109 affordable apartments, known as the **William Byrd Hotel**. In addition, the bank purchased the federal low-income housing and historic preservation tax credits. This project will provide a new housing choice to low-income senior citizens.

An \$18 million loan to **Local Initiatives Support Corporation (LISC)** was provided by FUNB-VA. The proceeds fund the pre-development phase of low-income housing tax credits and affordable housing initiatives in rural areas.

FUNB-VA is a participant in two microloan programs in Richmond. FUNB-VA provided a \$100,000 loan to the **City of Richmond's Multi-Bank Microloan Program**. The bank is also the sole funder of the **Virginia Community Development Loan Fund** at \$75,000.

- o **Northern Virginia/Fredericksburg (Washington, D.C. MSA)** - FUNB-VA awarded a \$994,000 grant through its participation in the FHLB Affordable Housing Program to the **Tenants and Workers Support Committee**. The grant is used to renovate 15 buildings in Alexandria and convert them into 284 cooperative housing units for families.

The **Salem Run Apartments** in Fredericksburg, Virginia, is a 160 unit multi-family affordable housing development. FUNB-VA invested more than \$5.6 million of equity in the property which will serve families making 60 percent or less of the area median income.

FUNB-VA provided a \$1.6 million loan to rehabilitate apartments into affordable condominiums in Alexandria. This project is known as **Fayette Court**.

- o **Hampton Roads MSA** - FUNB-VA provided a 20-year term loan for \$468,000 and an interim loan for \$374,400 to fund the SBA 504 portion of businesses located in an enterprise zone in Norfolk. These loans will be repaid by the issuance of debentures.

In partnership with the **Portsmouth Community Development Group**, FUNB-VA provided this organization \$100,000 for housing and rehabilitation efforts and \$60,000 for a microloan program.

- o **Non-MSA Areas** - FUNB-VA issued a \$2.1 million municipal lease to the **Rockbridge County Public Service Authority** for water and sewer improvements for the community.

In an innovative financing move, FUNB-VA purchased \$250,000 in HUD tax credits from **VMH, Inc.**, to start the New Enterprise Fund (a microloan fund) and to assist other businesses in hiring low- and moderate-income people.

FUNB-VA partnered with the **Franklin County Chamber of Commerce** and donated equipment and furniture for a microloan program.

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.

- o The bank is not subject to any factors which limit its ability to help meet community credit needs.**
- o Management has played a leadership role in the development of specific projects promoting economic revitalization consistent with its size, financial capacity, and current economic conditions.**

There are no legal impediments which inhibit the bank from helping to meet community credit needs. Management has exhibited its willingness to promote economic revitalization consistent with the bank's size and financial condition.

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.

- o FUNB-VA has engaged in other meaningful activities which contribute to community development. This includes activities which enhances the bank's ability to help meet the credit and related needs of LMI individuals.**

Educational Programs

School Savings Banks reflect a program offered by First Union in partnership with elementary schools. These banks are designed to assist students in learning the importance of saving money. Students operate the banks with assistance from First Union employees to learn the careful and responsible way to handle money. The students also learn customer service skills as they operate these banks. First Union pays the regular savings interest rate for the deposits and sends each student customer a quarterly statement. FUNB-VA currently has established thirty-four School Savings Banks. The schools are located throughout the state.

Examples of other projects which enhance the community include:

- o The bank has made several charitable contributions to various community organizations within the state totaling \$224,995.**
- o Employee membership and participation continues in a variety of community, civic, economic development and government organizations. In these roles, bank officials also serve as board members and regularly provide technical assistance.**
- o FUNB-VA has purchased \$66.2 million in Virginia Housing Department Authority bonds.**

Charter 2737

- o FUNB-VA provided \$1.3 million to a Small Business Investment Corporation (SBIC). The SBIC was the Virginia Economic Development Corporation which provided loans to small businesses.

- o FUNB-VA has been responsive to community needs by offering deferred loan payments and other services during natural disasters that occurred during 1995 and 1996.
 - In June of 1995, the bank established a special \$5 million loan pool to assist Southwest Virginia flood victims with mortgages and home repair loans. The bank also considered requests to defer payments on consumer installment loans and revolving home equity lines of credit.
 - In September of 1996, FUNB-VA quickly responded with actions to help community members after Hurricane Fran. The bank announced below market rate loans, deferred payments, fee waivers, and other special terms for victims of the hurricane.

- o FUNB-VA also assists public schools and municipalities with funding to obtain equipment.

ADDITIONAL INFORMATION

Corporate and Local CRA Programs

FUNB-VA 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 the platform for communication across the company. Since several aspects of the bank's CRA activities have been influenced by the parent company, 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 is designed to provide overall guidance to the Corporation, its Directors, management and all employees. It helps to continually renew the First Union dedication and commitment to serve credit needs of all 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 Board of Directors has identified committees and individuals to focus on CRA activities and to receive periodic reports to help keep the Directors informed. The Board receives 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 departments 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.

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 (no longer required with the latest regulatory revision) and the local community delineations. The Board also approves the CRA plan which contains policies and procedures for implementing CRA.

CRA Plans

The bank updates the formal CRA Plan that directs its CRA activities and includes changes to reflect the revised regulation. The plan serves to affirm the company's commitment to help meet the needs of low- and moderate-income individuals in communities serviced by the First Union banking operations. The plan also highlights the overall process to implement the Community Reinvestment Policy.

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 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 is in process of being updated to reflect regulatory revisions; it 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 CRA public file.