

**PUBLIC DISCLOSURE**

March 2, 1998

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First Community Bank of Saltville

05512570

P.O. Box B

Saltville, Virginia 24370

**Federal Reserve Bank of Richmond**

**P. O. Box 27622**

**Richmond, Virginia 23261**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

## **GENERAL INFORMATION**

The Community Reinvestment Act (CRA) requires each Federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of First Community Bank of Saltville, Saltville, Virginia, prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of March 2, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A of 12 CFR Part 228.

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

The bank's loan-to-deposit ratio exceeds standards for satisfactory performance given its financial capacity, location and economic conditions. A substantial majority of loans sampled during the examination were provided to residents of the assessment area. The institution's high level of lending within the assessment area, particularly to low- and moderate- income borrowers, demonstrates outstanding performance. The distribution of lending by income level of geographies is also considered outstanding.

**DESCRIPTION OF INSTITUTION:**

First Community Bank of Saltville operates three full-service offices within Smyth County, Virginia. As of December 31, 1997, the bank had total assets of \$137 million, of which 53% were loans. Various loan and deposit products are also available through the institution including loans for consumer, residential mortgage, home improvement, business and agricultural purposes. The loan portfolio as of December 31, 1997, was comprised of the following: 74% secured by real estate (consumer and business), 15% consumer, and 11% commercial/agricultural. Based on the number of loans extended during the previous 12 months, consumer (both secured and unsecured) and real estate secured loans were identified as the principle credit products offered by the bank. The institution's previous CRA rating was outstanding.

**DESCRIPTION OF ASSESSMENT AREA**

The institution's assessment area encompasses all of Smyth County, portions of Washington County (census tracts 105-108), and block numbering area 9903 of Wythe County. The assessment area is located in southwest Virginia.

Although the area is primarily rural, the four census tracts in Washington County are located within the Johnson City-Kingsport-Bristol Metropolitan Statistical Area (MSA).

Of the 12 geographies located within the assessment area, two are considered moderate-income while the remaining ten are considered middle-income. According to 1990 census data, the population of the area is 58,890. Fifteen percent of the assessment area population resides in moderate-income areas, and 85% resides in middle-income areas. The 1997 median-family incomes for nonmetropolitan areas of Virginia and the Johnson City MSA are \$34,800 and \$34,000, respectively.

The following table provides assessment area demographics by income level of families.

	<b>Low-Income</b>	<b>Moderate-Income</b>	<b>Middle-Income</b>	<b>Upper-Income</b>	<b>Total</b>
Percentage of Area Families By Income Level	23%	20%	24%	33%	100%

The local economy is primarily dependent on manufacturing and agriculture. Major employers in the area are Westinghouse Electric Corporation, Bristol Compressors Inc., and Mid-Mountain Foods. As of December 1997, the unemployment rates in the assessment area ranged from 4.6% in Wythe County to a high of 6.3% in Smyth County. The Virginia jobless rate as of December 1997 was 3.1%.

A local community organization was contacted to further assist in evaluating the bank's CRA performance. The contact indicated that local financial institutions have been active in meeting area credit needs.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

**LOAN-TO-DEPOSIT RATIO**

The bank's level of lending is responsive to area loan demand. During a six-quarter period ending December 1997, the quarterly average loan-to-deposit ratio for institutions headquartered in nonmetropolitan areas of Virginia and of similar asset size to First Community Bank of Saltville ranged from 72% to 74%. The bank's average loan-to-deposit ratio for the previous six quarters is 91% and exceeds standards for satisfactory performance given the institution's financial capacity, size, and current local economic conditions.

**LENDING IN ASSESSMENT AREA**

To determine the institution's volume of lending within the assessment area, a sample of 145 of the 515 consumer and 60 of the 87 real estate loans recently extended was analyzed. The lending distribution is illustrated by the following table.

Comparison of Credit Extended Inside and Outside of Assessment Area

	<b>Inside Assessment Area</b>	<b>Outside Assessment Area</b>	<b>Total</b>
<b>Total Number of Loans</b>	199	6	205
<b>Percentage of Total Loans</b>	97%	3%	100%
<b>Total Amount of Loans(000's)</b>	\$3,423	\$162	\$3,585
<b>Percentage of Total Amount</b>	95%	5%	100%

As illustrated above, a substantial majority of the number and dollar amounts of the sampled loans were provided to residents of the assessment area.

**LENDING TO BORROWERS OF DIFFERENT INCOMES**

The following chart illustrates the distribution of the 142 consumer loans extended within the assessment area by income level of the borrower.

Distribution of Loans by Income Level of Borrower  
Consumer Loans

	<b>Low-Income</b>	<b>Moderate-Income</b>	<b>Middle-Income</b>	<b>Upper-Income</b>	<b>Total</b>
<b>Total Number of Loans</b>	51	50	18	23	142
<b>Percentage of Total Loans</b>	36%	35%	13%	16%	100%
<b>Total Amount of Loans (000s)</b>	\$148	\$216	\$65	\$158	\$587
<b>Percentage of Total Loans</b>	25%	37%	11%	27%	\$100

When compared to the distribution of area families, the percentage of loans extended to low- and moderate-income families (71%) substantially exceeds the proportion of such families in the community (43%). Furthermore, 62% of the dollar amounts of the loans were extended to these borrowers.

The sample of 57 real estate secured loans extended within the assessment area was also reviewed to determine lending by borrower income level. These loans consist of consumer refinances secured by one- to four-family dwellings. The following chart shows the distribution of these loans by borrower income level.

Real Estate Loans

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
<b>Total Number of Loans</b>	6	14	19	18	57
<b>Percentage of Total Loans</b>	11%	25%	33%	31%	100%
<b>Total Amount of Loans (000s)</b>	\$234	\$444	\$928	\$1,230	\$2,836
<b>Percentage of Total Loans</b>	8%	16%	33%	43%	100%

The percentage of real estate loans provided to low- and moderate-income borrowers (36%) approximates the proportion of such families (43%) within the assessment area. The percentage of loans extended to low-income borrowers (11%) is somewhat lower than the proportion of such families (23%) in the community. With nearly 13% of assessment area families living below the poverty level, however, home ownership is beyond the means of many lower-income families. Overall, the distribution of consumer and real estate secured loans to borrowers of different income levels is considered reasonable relative to the estimated demand for these types of loans using area demographics as a proxy.

**GEOGRAPHIC DISTRIBUTION OF LOANS**

The review of loan files also included an analysis of lending among the various geographies within the bank's assessment area. As previously mentioned, there are no low- or upper-income geographies in the bank's assessment area. The following charts illustrate the distribution of the sampled loans by income level of the geography.

Distribution of Loans in Assessment Area by Income Level of Census Tract/BNA  
Consumer Loans

	Moderate-Income	Middle- Income	Total
<b>Total Number of Loans</b>	39	103	142
<b>Percentage of Total Loans</b>	27%	73%	100%
<b>Total Amount of Loans (000s)</b>	\$179	\$408	\$587
<b>Percentage of Total Loans</b>	31%	69%	100%

Real Estate Loans

	Moderate-Income	Middle- Income	Total
<b>Total Number of Loans</b>	24	33	57
<b>Percentage of Total Loans</b>	42%	58%	100%
<b>Total Amount of Loans (000s)</b>	\$1,157	\$1,679	\$2,836
<b>Percentage of Total Loans</b>	41%	59%	100%

Overall, 32% (63/199) of the sampled loans were extended in moderate-income census tracts/BNAs. This level of lending substantially exceeds the percentage of the population residing in such areas (15%). Furthermore, 39% of the total dollar amounts were provided to borrowers in these areas. The geographic distribution of lending exceeds satisfactory performance standards and demonstrates the institution's willingness to meet the credit needs of all areas of its community.

**COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS**

No credit practices inconsistent with the substantive provisions of the fair housing and fair lending laws were identified. Technical violations of the Equal Credit Opportunity Act's Regulation B were noted. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.