



PUBLIC DISCLOSURE

October 12, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

COMMUNITY FIRST BANK

LYNCHBURG, VIRGINIA

**Federal Reserve Bank of Richmond
Richmond, Virginia**

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Federal financial supervisory agency concerning the safety and soundness of this financial institution.

PUBLIC DISCLOSURE

October 12, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Community First Bank

2813790

P. O. Box 4314

Lynchburg, Virginia 24502

Federal Reserve Bank of Richmond

P. O. Box 85029

Richmond, Virginia 23261

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Federal financial supervisory agency concerning the safety and soundness of this financial institution.

TABLE OF CONTENTS

Institution's CRA Rating.....	1
Description of Institution.....	1
Description of Assessment Area.....	1
Conclusions.....	3

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The major factors supporting this rating include:

- The bank's loan-to-deposit ratio is considered more than reasonable in relation to demand for credit in the bank's assessment areas.
- A substantial majority of the institution's real estate and sampled small business loans were originated within the bank's assessment areas.
- Lending to borrowers of different income levels and to businesses of different sizes is considered reasonable using various proxies for demand.
- The distribution of lending by income level of geography is considered reasonable given area demographics and aggregate data.
- There have been no complaints regarding the bank's CRA performance since the previous evaluation.

DESCRIPTION OF INSTITUTION

Community First Bank is headquartered in Lynchburg, Virginia, and operates four branches in the city of Lynchburg and Nelson County, Virginia. Of the four branches, three were opened since the previous evaluation. The institution is a subsidiary of Community First Financial Corporation, a single-bank holding company also located in Lynchburg, Virginia. As of September 30, 2004, the bank had total assets of \$150.6 million, of which 83.9% were loans. Various deposit and loan products, including loans for residential mortgage, consumer, and business purposes, are available through the institution. The loan portfolio, as of September 30, 2004, was comprised of 33.6% one- to four-family real estate secured, 46.3% commercial real estate and farm, 15.5% commercial and agricultural, 4.1% consumer, and .5% other purpose. Residential real estate and small business loans were identified as primary credit products offered by the bank. The institution's previous CRA rating was Satisfactory.

DESCRIPTION OF ASSESSMENT AREA

Community First Bank serves two assessment areas. The first assessment area contains three of the bank's four branches, including its main office, and encompasses the entire Lynchburg Metropolitan Statistical Area (MSA). The second assessment area is considered nonmetropolitan and contains one branch office. The assessment areas are described in detail, including geographic, demographic, and economic information for each area.

Metropolitan Assessment Area

The metropolitan assessment area includes the city of Lynchburg, the city and county of Bedford, and the counties of Amherst and Campbell, Virginia, and is located within the Lynchburg MSA. Fifty-three census tracts are included within the assessment area, of which three are considered low-income, eight are moderate-income, 32 are middle-income, and ten are upper-income.

According to the 2000 census data, this assessment area has a population of 214,911 and a median housing value of \$93,357. The owner-occupancy rate for the market (67.6%) is higher than the rate of the Commonwealth of Virginia (63.3%). The percentage of families living below the poverty level in the assessment area is 8.5%, which is higher than the rate for Virginia (7%). The 2003 median family income for the Lynchburg MSA is \$49,300.

The following table provides demographics for the assessment area by the income level of families and the percentage of population living in census tracts of varying income levels. The table also displays the distribution of owner-occupied housing units by income level of census tract. The percentage of commercial entities as reported by Dun & Bradstreet (D&B) is also provided by income level of census tract.

Metropolitan Assessment Area Demographics

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Percentage of Area Families by Income Level	19.3%	18.3%	23.1%	39.3%	100%
Percentage of Population Residing in Census Tracts by Income Level Census Tract	3.6%	12.2%	63.9%	20.3%	100%
Percentage of Owner-Occupied Units by Income Level of Census Tract	1.1%	10.1%	66.5%	22.3%	100%
Percentage of Businesses located in Census Tracts by Income Level of Census Tract	4.1%	14.2%	61.1%	20.6%	100%
Percentage of Families Below the Poverty Level by Income Level of Census Tract	34.7%	17.5%	7.8%	4%	N/A

This assessment area is located in the central portion of the Commonwealth approximately 50 miles southwest of Charlottesville and 114 miles east of Richmond, Virginia. Employment opportunities exist in the service, manufacturing, and health care industries, as well as local, State, and Federal Government. Centra Health, BWX Technologies, Central Virginia Training Center, Framatome, and Genworth Financial are major employers in the area. As of September 2004, the unemployment rates for the cities of Lynchburg and Bedford, and the counties of Amherst, Bedford and Campbell are 4.9%, 3.4%, 3.4%, 2.9%, and 3.9%, respectively. The current unemployment rate for the Commonwealth of Virginia is 3.3%.

Nonmetropolitan Assessment Area

The nonmetropolitan assessment area includes all of Nelson County, Virginia. There are three census tracts in the assessment area of which two are middle-income and one is upper-income. There are no low- or moderate-income geographies within this assessment area.

According to the 2000 census data, this assessment area has a population of 14,445 and a median housing value of \$94,038. The owner-occupancy rate for the market (55.6%) is lower than that of nonmetropolitan areas of Virginia (64.8%). The percentage of families living below the poverty level in the assessment area is 8.5%, which is slightly lower than the poverty rate for nonmetropolitan areas of the Commonwealth (9.8%). The 2003 median family income for nonmetropolitan areas of the Commonwealth of Virginia is \$45,400.

The following table provides demographics for the assessment area by the income level of families and the percentage of population living in census tracts of varying income levels. The table also displays the distribution of owner-occupied housing units by income level of census tract. The percentage of commercial entities as reported by D&B is also provided by income level of census tract.

Nonmetropolitan Assessment Area Demographics

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Percentage of Area Families by Income Level	15.7%	19.5%	20.4%	44.4%	100%
Percentage of Population Residing in Census Tracts by Income Level of Census Tract	N/A	N/A	67.7%	32.3%	100%
Percentage of Owner-Occupied Units by Income Level of Census Tract	N/A	N/A	65.6%	34.4%	100%
Percentage of Businesses located in Census Tracts by Income level of Census Tract	N/A	N/A	66.5%	33.5%	100%
Percentage of Families Below the Poverty Level by Income Level of Census Tract	N/A	N/A	9.6%	6.3%	N/A

This assessment area is located approximately 30 miles from both the metropolitan areas of Charlottesville and Lynchburg. The economy is primarily dependent on agriculture and natural resource based industries such as timber and quarrying. Wintergreen Resort, Central Virginia Electric Cooperative, and American Fibers & Yarn are major employers in the area. The unemployment rate as of September 2004 for Nelson County is 2.4%.

A local economic development official was recently contacted to assist in evaluating the bank's CRA performance. The contact indicated that local financial institutions are adequately serving the credit needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN-TO-DEPOSIT RATIO

The bank's loan-to-deposit ratio, as of September 30, 2004, is 92.6% and averaged 99.4% for the 17-quarter period also ending September 30, 2004. The quarterly average loan-to-deposit ratio for all banks headquartered in metropolitan areas of Virginia and of similar asset size to Community First Bank ranged from 75.3% to 79% for the 16-quarter period ending June 30, 2004. From September 30, 2000, to September 30, 2004, bank assets, loans, and deposits have increased by 268.4%, 274.3%, and 384.8%, respectively. The significant growth can be attributed to the bank's de novo status at the previous evaluation and the addition of three branches. The bank's loan-to-deposit ratio is considered more than reasonable given the institution's size, branch locations, and financial capacity.

LENDING IN ASSESSMENT AREA

To determine the institution's volume of lending within its assessment areas, a sample of 100 small business loans were reviewed. The sample was selected from approximately 199 commercial loans extended during a recent 12-month period. Also, all 447 real estate loans (home purchase, refinance, and home improvement) originated and reported on the bank's Home Mortgage Disclosure Act (HMDA) Loan Applicant Register (LAR) for 2003 were reviewed. The lending distribution is represented in the following table for both assessment areas.

Comparison of Credit Extended Inside and Outside of Assessment Areas

	Inside Assessment Areas	Outside Assessment Areas	Total
Total Number of Loans	493	54	547
Percentage of Total Loans	90.1%	9.9%	100%
Total Amount of Loans (000's)	\$72,069	\$8,538	\$80,607
Percentage of Total Amount	89.4%	10.6%	100%

As illustrated in the preceding chart, a substantial majority of the number and dollar amount of loans were provided to borrowers located in the institution's assessment areas. The institution's level of lending within its assessment areas is considered highly responsive to community credit needs.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

The following tables present data about the bank's lending to businesses of different sizes and to borrowers of different income levels. To evaluate the bank's level of lending to borrowers of varying income levels, the 89 sampled small business and 404 HMDA loans extended within the bank's assessment areas were analyzed. The data is provided separately for each of the bank's assessment areas.

Area demographics, 2003 aggregate data, and D&B information are used as proxies for demand. Aggregate small business and real estate lending data includes all reporting institutions that originated such loans within the bank's assessment areas during 2003, as required by the CRA and HMDA. Community First Bank is not subject to CRA reporting requirements; consequently, the bank's small business lending activity is not included within the aggregate information.

Metropolitan Assessment Area

Distribution of HMDA Loans by Income Level of Borrower

The bank reported a total of 384 HMDA loans within this assessment area. Eighteen of the transactions did not contain income data and are not included in the analysis.

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	12	42	74	238	366
Percentage of Total Loans	3.3%	11.5%	20.2%	65%	100%
Total Amount of Loans (000's)	\$754	\$4,016	\$7,280	\$41,415	\$53,465
Percentage of Total Amount	1.4%	7.5	13.6%	77.5%	100%

The institution's HMDA lending to low-income borrowers (3.3%) is below both the 2003 aggregate lending (5.3%) and the percentage of area families that are low-income (19.3%). The bank's HMDA lending to moderate-income borrowers (11.5%) is lower than both the market aggregate lending (15.5%) and moderate-income families (18.3%). The bank's level of HMDA lending to borrowers of different income levels in this market is considered marginally adequate.

Distribution of Loans by Size of Business

	Revenues \leq \$ 1 Million	Revenues $>$ \$ 1 Million	Total
Total Number of Loans	82	5	87
Percentage of Total Loans	94.3%	5.7%	100%
Total Amount of Loans (000's)	\$11,142	\$841	\$11,983
Percentage of Total Amount	93%	7%	100%

Based on recent D&B demographic data, 85.6% of local businesses that reported revenue data have annual revenues of \$1 million or less. According to 2003 aggregate small business data, at least 34.6% of all small business loans reported within the market area were to businesses with revenues of \$1 million or less. The remaining loans were extended to businesses having annual revenues in excess of \$1 million or revenue data was not reported. As indicated in the table above, 94.3% of the bank's loans were to entities with revenues of \$1 million or less. The bank's level of small business lending is considered excellent.

Nonmetropolitan Assessment Area

As previously mentioned, the bank operates one branch office in this assessment area which was opened in 2002. Based on the institution's newness to this market, its lending in this assessment area has been limited. The small number of loans limits the usefulness of the data, as the addition or deletion of one loan could significantly impact the results.

Distribution of HMDA Loans by Income Level of Borrower

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	0	6	5	9	20
Percentage of Total Loans	0%	30%	25%	45%	100%
Total Amount of Loans (000's)	\$0	\$169	\$549	\$2,029	\$2,747
Percentage of Total Amount	0%	6.2%	19.9%	73.9%	100%

None of the HMDA loans reviewed were extended to low-income borrowers. Aggregate lending for 2003 indicates that 2.4% of such loans were to low-income borrowers. The percentage of area families that are low-income is 15.7%. The bank's HMDA lending to moderate-income borrowers (30%) was higher than both the 2003 aggregate lending (9.9%) and the percentage of area families that are moderate-income (19.5%). The bank's level of HMDA lending to borrowers of different income levels in this market is adequate.

Distribution of Loans by Size of Business

Due to the limited number of sampled small business loans extended in this market (two), an analysis of such lending was not conducted.

Overall, the bank's level of lending to borrowers of different income levels and to businesses with revenues of \$1 million or less is considered reasonable when compared with product characteristics, area demographics, D&B information, and 2003 aggregate data.

GEOGRAPHIC DISTRIBUTION OF LOANS

The 89 small business and 404 real estate loans extended within the institution's market areas were also analyzed to determine the level of lending among geographies of varying income levels.

Metropolitan Assessment Area

Distribution of HMDA Loans by Income Level of Census Tract

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	7	30	126	221	384
Percentage of Total Loans	1.8%	7.8%	32.8%	57.6%	100%
Total Amount of Loans (000's)	\$364	\$1,716	\$17,000	\$37,807	\$56,887
Percentage of Total Amount	.6%	3%	29.9%	66.5%	100%

The bank's HMDA lending in low-income areas (1.8%) exceeds both the 2003 aggregate lending (.6%) and the percentage of owner-occupied housing units in such areas (1.1%). HMDA lending in moderate-income areas (7.8%), while lower than the percentage of owner-occupied housing units (10.1%), is higher than the market aggregate lending (6.5%) and is considered reasonable.

Distribution of Small Business Loans
by Income Level of Census Tract

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	5	10	35	37	87
Percentage of Total Loans	5.7%	11.5%	40.3%	42.5%	100%
Total Amount of Loans (000's)	\$836	\$1,813	\$4,116	\$5,220	\$11,985
Percentage of Total Amount	7%	15.1%	34.3%	43.6%	100%

The bank's small business lending in low-income areas (5.7%) exceeds both the percentage of area businesses located in such areas (4.1%) and the 2003 aggregate data (4.2%). Small business lending in moderate-income areas (11.5%) is slightly lower than both the percentage of area businesses located in moderate-income areas (14.2%) and aggregate data (13.2%). Overall, small business lending within low- and moderate-income areas is considered reasonable.

Nonmetropolitan Assessment Area

As previously mentioned, the bank's nonmetropolitan assessment area contains two middle- and one upper-income areas. Accordingly, all 22 loans originated in this market were in middle- and upper-income census tracts.

Overall, the geographic distribution of lending is considered reasonable given various proxies for credit demand.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS

No credit practices inconsistent with the substantive provisions of the fair housing and fair lending laws and regulations were identified. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.