

PUBLIC DISCLOSURE

December 8, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Community Bank

05511040

P.O. Box 195

Forest, Virginia 24551

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 in Forest, Virginia, prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of November 17, 1997. 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 Satisfactory.

The bank's loan-to-deposit ratio exceeds expectations for a satisfactory performance.

A substantial majority of loans sampled during the examination were provided to residents of the assessment area. The institution's lending to low- and moderate-income borrowers appears reasonable. The distribution of lending by income level of geographies is also considered reasonable.

DESCRIPTION OF INSTITUTION:

First Community Bank is headquartered in Forest, Virginia, and operates four offices in Lynchburg, Virginia, and one office in Madison Heights, Virginia. As of September 30, 1997, the bank had total assets of \$157 million, of which \$99 million (63%) were loans. Various deposit and loan products are available through the institution including residential mortgage, consumer, business, and agricultural loans. The loan portfolio as of September 30, 1997, was comprised of 69% real estate secured (consumer and business), 21% commercial, and 10% consumer. Based on the number of loans extended during the previous six months, consumer loans secured by motor vehicles and consumer unsecured loans were identified as the principal credit products offered by the bank. The institution's previous CRA rating was satisfactory.

DESCRIPTION OF ASSESSMENT AREA

First Community Bank's assessment area is comprised of Amherst, Bedford, and Campbell Counties, Virginia, including the Cities of Bedford and Lynchburg, Virginia. Also included are two census tracts (201.00 and 203.00) in Franklin County, Virginia. The area, with the exception of the census tracts in Franklin County, is included in the Lynchburg Metropolitan Statistical Area (MSA).

According to the 1990 census data, the assessment area has a population of 196,883 and contains 91 census tracts. Of these, 45 geographies are considered low-income, ten are moderate-income, 28 are middle-income, and eight are upper-income. However, only four of the low-income census tracts are populated.

Located in the southwestern portion of the Commonwealth, the local community is predominantly rural. Employment opportunities exist in the manufacturing, service, and telecommunication industries. Major employers include Altavista Manufacturing and Centra Health, Inc. As of October 1997, area unemployment rates ranged from a low of 2.4% in Bedford County and Lynchburg City to a high of 3.7% in Campbell County. The jobless rate for the Commonwealth is 3.5%. The 1997 median-family income for the Lynchburg MSA is \$39,700.

Officials affiliated with a local economic development group were contacted during the examination to further assist in evaluating the bank's CRA performance. They indicated that although local financial institutions offer adequate mortgage loan products, there is a need for middle-income housing in the area.

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 September 1997, the quarterly average loan-to-deposit ratio for all banks located in metropolitan areas of Virginia and of similar asset size to First Community Bank ranged from 72% to 75%. The institution's average loan-to-deposit ratio for the previous six quarters is 89% and exceeds expectations for a satisfactory performance.

LENDING IN ASSESSMENT AREA

To determine the institution's volume of lending within the assessment area, 58 of a total of 83 consumer loans secured by motor vehicles and 51 of a total of 69 consumer unsecured loans were reviewed.

Comparison of Credit Extended Inside and Outside of Assessment Area

	Inside Assessment Area	Outside Assessment Area	Total
Total Number of Loans	98	11	109
Percentage of Total Loans	90%	10%	100%
Total Amount of Loans (000's)	\$849	\$87	\$936
Percentage of Total Amount	91%	9%	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

A review of the 51 consumer loans secured by motor vehicles and the 47 consumer unsecured loans extended within the assessment area was conducted to analyze borrower income characteristics. The following charts illustrate the distribution of sampled loans by borrower income level.

Distribution of Loans by Income Level of Borrower
Consumer Loans Secured by Motor Vehicle

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	9	10	10	22	51
Percentage of Total Loans	17%	20%	20%	43%	100%
Total Amount of Loans (000's)	\$94	\$97	\$127	\$257	\$575
Percentage of Total Loans	16%	17%	22%	45%	100%

Distribution of Loans by Income Level of Borrower
Consumer Unsecured Loans

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	11	8	13	15	47
Percentage of Total Loans	23%	17%	28%	32%	100%
Total Amount of Loans (000's)	\$33	\$33	\$90	\$120	\$276
Percentage of Total Loans	12%	12%	33%	43%	100%

For purposes of comparison, the chart below depicts the distribution of families residing in the assessment area according to low-, moderate-, middle-, and upper-income levels.

Percentage of Families in Assessment Area by Income Level

	Low-Income	Moderate-Income	Mid. Inc.	Upper-Income	Total
Percent of Population	19%	18%	24%	39%	100%

The bank's level of lending to low- and moderate-income borrowers for both loans secured by motor vehicles (37%) and consumer unsecured loans (40%) closely corresponds to the proportion (37%) of such families in the community.

GEOGRAPHIC DISTRIBUTION OF LOANS

The review of loan files also included an analysis of lending among census tracts within the institution's assessment area. As mentioned previously, the area contains 91 census tracts, including 14 populated low- and moderate-income tracts (four low-income, ten moderate-income). The following charts depict the geographic distribution of the sampled motor vehicle and unsecured consumer loans extended to residents of the assessment area.

Distribution of Loans in Assessment Area by Income Level of Census Tract
Consumer Loans Secured by Motor Vehicles

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	0	7	36	8	51
Percentage of Total Loans	0%	14%	70%	16%	100%
Total Amount of Loans (000's)	\$0	\$42	\$427	\$106	\$575
Percentage of Total Loans	0%	7%	74%	19%	100%

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

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	0	9	31	7	47
Percentage of Total Loans	0%	19%	66%	15%	100%
Total Amount of Loans (000's)	\$0	\$34	\$220	\$21	\$275
Percentage of Total Loans	0%	12%	80%	8%	100%

Fourteen percent of the consumer loans secured by motor vehicles and 19% of the consumer unsecured loans were extended in moderate-income census tracts. Ten percent of the assessment area population resides in moderate-income census tracts. Although none of the sampled loans were made in low-income geographies, only 3% of the assessment area population resides in these areas. The bank's level of lending in low- and moderate-income areas is considered reasonable.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS

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