

**PUBLIC DISCLOSURE**

March 2, 1998

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The First Bank of Stuart

05512760

P.O. Box 352

Stuart, Virginia 24171

**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 The First Bank of Stuart, Stuart, 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 Satisfactory.

The bank's loan-to-deposit ratio appears reasonable given its financial capacity and demand for credit in the area. A majority of loans sampled during the examination were provided to residents of the assessment area. Furthermore, the institution's lending to low- and moderate-income borrowers significantly exceeds the proportion of such families residing in the assessment area, and the bank is responsive to the credit needs of small businesses. All of the census tracts within the assessment area are middle-income. Therefore, the distribution of lending by income level of geographies was not considered in evaluating the institution's CRA performance.

## **DESCRIPTION OF INSTITUTION**

The First Bank of Stuart operates six branches throughout Patrick County, Virginia, and is the only financial institution headquartered in the county. As of December 31, 1997, the bank had total assets of \$155 million, of which \$57 million (37%) were loans. Various deposit and loan products are available through the institution including residential mortgage, consumer, and business loans. The loan portfolio as of December 31, 1997, was comprised of 55% real estate secured (consumer and business), 28% commercial/agricultural, and 17% consumer. Based on the number and dollar amounts of loans extended during the previous six months, consumer unsecured and commercial loans were identified as the principal credit products offered by the bank. The institution's previous CRA rating was satisfactory.

## **DESCRIPTION OF ASSESSMENT AREA**

The First Bank of Stuart's assessment area is comprised of Patrick County. Located in the south central portion of the Commonwealth, the local community is predominantly rural. According to the 1990 census data, the assessment area has a population of 17,473 and contains three middle-income census tracts. The 1997 median-family income for nonmetropolitan areas in Virginia is 34,800.

Although no major businesses dominate Patrick County, the local economy is predominantly supported by the furniture manufacturing industry and timber processing businesses of surrounding counties. The majority of Patrick County residents commute to Martinsville, Virginia, and Winston-Salem, North Carolina, for employment opportunities. Major employers in those areas include Basset Furniture and R. J. Reynolds. As of December 1997, the unemployment rate for Patrick County was 4.5% and is slightly higher than the jobless rate for the Commonwealth of 3.1%.

A local government official was contacted during the examination to further assist in evaluating the bank's CRA performance. The contact indicated that local financial institutions appear to be meeting community credit needs.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **LOAN-TO-DEPOSIT RATIO**

The institutions average loan-to-deposit ratio for the previous six quarters is 50% and has increased from 46% since the previous examination. This higher ratio results primarily from a 10% increase in total loans. The quarterly average loan-to-deposit ratio for a six-quarter period ending December 1997 for institutions located in nonmetropolitan areas of Virginia and of similar asset size to The First Bank of Stuart ranged from 72% to 74%. Although the bank's loan-to-deposit ratio is somewhat low relative to similar-sized institutions, it is considered adequate. Along with The First Bank of Stuart branches, offices of two other banks are located within and serve residents of Patrick County. According to information obtained from a community contact, these financial institutions are adequately meeting the credit needs of the community.

**LENDING IN ASSESSMENT AREA**

To determine the institution's volume of lending within the assessment area, 61 of the 89 commercial loans and 121 of the 304 consumer unsecured loans extended during the previous six months were reviewed. The lending distribution is represented in 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>	126	56	182
<b>Percentage of Total Loans</b>	69%	31%	100%
<b>Total Amount of Loans (000's)</b>	\$1,886	\$2,358	\$4,244
<b>Percentage of Total Amount</b>	44%	56%	100%

As illustrated above, a majority of the sampled loans were provided to residents of the assessment area.

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

A review of the 36 commercial loans and the 90 consumer unsecured loans extended within the assessment area was conducted to analyze borrower income characteristics. The following charts illustrate the distribution of the sampled loans extended within the assessment area to businesses of different sizes and by borrower income level.

Distribution of Loans by Size of Business

	<b>Revenues <math>\leq</math> \$1 Million</b>	<b>Revenues <math>&gt;</math> \$1 Million</b>	<b>Total</b>
<b>Total Number of Loans</b>	35	1	36
<b>Percentage of Total Loans</b>	97%	3%	100%
<b>Total Amount of Loans (000's)</b>	\$1,554	\$18	\$1,572
<b>Percentage of Total Amount</b>	99%	1%	100%

The number and dollar amounts of loans provided to businesses with gross revenues of \$1 million or less demonstrates the bank's responsiveness to small business credit needs.

Distribution of Loans by Income Level of Borrower  
Consumer Unsecured Loans

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
<b>Total Number of Loans</b>	32	29	20	9	90
<b>Percentage of Total Loans</b>	36%	32%	22%	10%	100%
<b>Total Amount of Loans (000's)</b>	\$84	\$84	\$96	\$50	\$314
<b>Percentage of Total Loans</b>	27%	27%	30%	16%	100%

For purposes of comparison, the chart below provides assessment area demographics by income level of families.

Percentage of Families in Assessment Area by Income Level

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
<b>Percentage of Area Families by Income Level</b>	24%	17%	25%	34%	100%

When compared to the distribution of area families, the percentage of loans extended to low- and moderate-income borrowers (68%) substantially exceeds the proportion (41%) of such families in the community. Furthermore, a majority of the dollar amounts of loans extended (54%) were to these borrowers.

**GEOGRAPHIC DISTRIBUTION OF LOANS**

As previously mentioned, all of the census tracts located within the institution's assessment area are middle-income. Therefore, the distribution of lending by income level of geographies was not considered in evaluating the institution's CRA performance.

**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. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.