

**PUBLIC DISCLOSURE**

July 29, 2002

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Summit Community Bank, Inc.  
828530  
310 North Main Street  
Moorefield, West Virginia 26836

**Federal Reserve Bank of Richmond**  
**P. O. Box 27622**  
**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.

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

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

- The bank's loan-to-deposit ratio is considered reasonable in relation to demand for credit in the market area.
- A substantial majority of loans reviewed during the evaluation were provided to residents in the bank's assessment area.
- Lending to borrowers of different income levels is considered marginally reasonable using various proxies for demand.
- The assessment area consists solely of middle-income block numbering areas (BNAs); therefore, the distribution of lending by income level of geographies was not considered in this evaluation.
- The institution has not received any complaints pertaining to its CRA performance since the previous evaluation.

## DESCRIPTION OF INSTITUTION

Summit Community Bank, Inc., is headquartered in Moorefield, West Virginia, and operates five branch offices in Pendleton County (1), Hardy County (2), and Grant County (2). The bank is a wholly owned subsidiary of Summit Financial Group, Incorporated. Summit Community Bank was formed as a result of the merger between Potomac Valley Bank and South Branch Valley National Bank on January 18, 2002. As of June 30, 2002, the bank reported total assets of \$331.9 million, of which 63.5% were loans. The institution offers a variety of credit and deposit products including loans for consumer, residential mortgage, and business purposes. The loan portfolio as of June 30, 2002, was comprised of 77.5% real estate secured (including consumer and business), 7% commercial, 14.3% consumer, and 1.2% other. Based on the institution's loan volume during the preceding year and current market strategy, real estate and motor vehicle loans were identified as primary credit products extended by the bank. Potomac Valley Bank's previous CRA rating, dated July 27, 1998, was satisfactory.

## DESCRIPTION OF ASSESSMENT AREA

The institution's assessment area, located in northeastern West Virginia, includes all of Hampshire, Hardy, Grant, and Pendleton Counties. There are 14 BNAs in the assessment area and all are considered middle-income areas. According to the 1990 census data, the assessment area has a population of 45,957 and a median housing value of \$51,098. The owner-occupancy rate for the market is 59.9%, which is lower than the nonmetropolitan state rate of 65.4%. The 2001 median family income for nonmetropolitan areas within West Virginia is \$31,000. Within the assessment area, 12.8% of families are considered below the poverty level, while 16% of families in nonmetropolitan areas of West Virginia are living below the poverty level.

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

Assessment Area Demographics

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Percentage of Area Families by Income Level	17.4%	17.3%	21.6%	43.7%	100%

The local economy is primarily dependent on the timber and poultry industries with additional employment opportunities provided by coal mining and agriculture. Tourism through ski resorts, national parks, and other recreational sites also provides jobs. As of June 2002, the unemployment rates for Hampshire, Hardy, Grant, and Pendleton Counties are 5.2%, 2.7%, 8.1% and 3.4%, respectively. The jobless rate for the State of West Virginia for the same time period is 6.2%.

A local government official was contacted to assist in evaluating the bank's CRA performance. The individual indicated that local financial institutions are adequately meeting the credit needs of the community.

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

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

During the 16-quarter period ending June 30, 2002, the bank's loan-to-deposit ratio averaged 73.1% and currently (June 30, 2002) equals 104.9%. The quarterly average loan-to-deposit ratio for all banks headquartered in nonmetropolitan areas of West Virginia and of similar asset size to Summit Community Bank, Inc. ranged from 72.8% to 83.6% for the 15-quarter period ending March 31, 2002. Since June 30, 1997, loans, deposits, and assets have increased by 319%, 143%, and 248.6%, respectively. This substantial growth is primarily attributed to the recent merger, which resulted in three additional branch locations. Overall, the bank's loan-to-deposit ratio is considered reasonable.

### **LENDING IN ASSESSMENT AREA**

To determine the institution's volume of lending within its assessment area, a sample of 115 real estate and 93 motor vehicle loans were reviewed. The samples were selected from 267 real estate loans and 173 motor vehicle loans made during the previous six months. The lending distribution is represented in the following table.

Comparison of Credit Extended Inside and Outside of Assessment Area

	Real Estate		Motor Vehicle		Total	
	Inside	Outside	Inside	Outside	Inside	Outside
Number of Loans	99	16	85	8	184	24
Percentage of Loans	86.1%	13.9%	91.4%	8.6%	88.5%	11.5%
Amount of Loans (000's)	\$7,193	\$1,549	\$1,004	\$66	\$8,197	\$1,615
Percentage of Amount	82.3%	17.7%	93.8%	6.2%	83.5%	16.5%

As illustrated in the prior table, a substantial majority of the number (88.5%) and dollar amounts (83.5%) of the loans were provided to borrowers located in the institution's assessment area. The proportion of loans extended by the bank in its market area is considered highly responsive to community credit needs.

**LENDING TO BORROWERS OF DIFFERENT INCOMES**

To evaluate the bank's level of lending to borrowers of varying income levels, the 99 sampled real estate and the 85 sampled motor vehicle loans extended within the bank's assessment area were analyzed. Area demographics and market aggregate mortgage lending data are used as proxies for demand. Aggregate mortgage lending data includes all reporting institutions that originated mortgage loans within the bank's assessment area during 2000, as required by the Home Mortgage Disclosure Act (HMDA). Summit Community Bank, Inc., is not required to report data for HMDA purposes; consequently, the bank's lending activity is not included within the aggregate information.

Distribution of Real Estate Loans by Income Level of Borrower

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	1	8	16	74	99
Percentage of Total Loans	1%	8.1%	16.2%	74.7%	100%
Total Amount of Loans (000's)	\$44	\$360	\$645	\$6,144	\$7,193
Percentage of Total Amount	.6%	5%	9%	85.4%	100%

As evidenced above, 1% and 8.1% of the real estate loans sampled were extended to low- and moderate-income borrowers, respectively. This level of lending is low when compared to the percentage of such families (17.4% low-income and 17.3% moderate-income) located within the assessment area. The bank's lending penetration is also lower than the 2000 aggregate mortgage data, which indicates that when income was known 5.6% of all loans were to low-income borrowers and 17.1% were to moderate-income borrowers.

Mobile home loans that are not secured by real estate are not included in the above table. Mobile homes represent an affordable housing option for many low- and moderate-income families. According to 1990 census data, 22.6% of the total housing units within the assessment area are mobile homes, of which a majority are placed on land that is rented or was previously purchased. Summit Community Bank, Inc., is an active mobile home lender. Since loans for this type of housing have not been considered, this may account, in part, for the low number of loans to these families.

### Distribution of Motor Vehicle Loans by Income Level of Borrower

	Low- Income	Moderate -Income	Middle- Income	Upper- Income	Total
Total Number of Loans	13	24	20	28	85
Percentage of Total Loans	15.3%	28.2%	23.5%	33%	100%
Total Amount of Loans (000's)	\$105	\$240	\$237	\$421	\$1,003
Percentage of Total Amount	10.5%	23.9%	23.6%	42%	100%

As illustrated above, the bank originated 15.3% of its motor vehicle loans to low-income borrowers and 28.2% to moderate-income borrowers. This level of lending to low-income borrowers is comparable to the percentage of such families (17.4%) located within the assessment area. However, loans to moderate-income borrowers exceed the percentage of such families (17.3%) located within the assessment area.

The bank's real estate lending among low- and moderate-income borrowers is considered low when using area demographics as a proxy for credit demand. However, the overall distribution of lending, including the distribution of motor vehicle loans, is considered marginally reasonable.

### **GEOGRAPHIC DISTRIBUTION OF LOANS**

As previously mentioned, the bank's assessment area is comprised of only middle-income geographies. Accordingly, 100% of the number and dollar amount of loans within the assessment area were extended in these geographies. All BNAs within the assessment area contained some level of lending activity.

### **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.