

**PUBLIC DISCLOSURE**

October 20, 1997

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The State Bank of the Alleghenies

05510705

P.O. Drawer 860

Covington, Virginia 24426

**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 State Bank of the Alleghenies in Covington, Virginia, prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of October 20, 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 Outstanding.

The bank's loan-to-deposit ratio appears reasonable given its financial capacity and demand for credit in the area. 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 significantly exceeds the proportion of such families residing in the assessment area. The distribution of lending by income level of geographies is considered reasonable.

## **DESCRIPTION OF INSTITUTION**

The State Bank of the Alleghenies is headquartered in Covington, Virginia, and operates offices in Bath County (1) and Clifton Forge, Virginia (1). As of June 30, 1997, the bank had total assets of \$139 million, of which \$90 million (64%) 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 June 30, 1997, was comprised of 60% real estate secured (consumer and business), 33% consumer, and 7% commercial. Based on the number of loans extended during the previous six months, consumer loans secured by motor vehicles were identified as the principal credit product offered by the bank. The institution's previous CRA rating was outstanding.

## **DESCRIPTION OF ASSESSMENT AREA**

The State Bank of the Alleghenies' assessment area is comprised of Alleghany and Bath Counties, Virginia, including the Cities of Clifton Forge and Covington, Virginia. The area also includes one census tract (401.00) in Botetourt County, Virginia, and two census tracts (502.98 and 503.98) in Craig County, Virginia.

According to the 1990 census data, the assessment area has a population of 32,981 and contains 18 census tracts and one block numbering area (BNA). Eleven of these geographies are considered low-income, seven are middle-income, and one is upper-income. There are no moderate-income geographies within the assessment area, and the 11 low-income areas are unpopulated. Many of the unpopulated geographies comprise a national forest.

Located in the southwestern portion of the Commonwealth, the local community is predominantly rural. Westvaco, a paper manufacturer, is a major employer in the area.

The Government, manufacturing companies, and agriculture provide additional employment opportunities. As of August 1997, unemployment rates for Alleghany, Bath, Botetourt and Craig Counties were 5.4%, 3.1%, 3.2% and 3.9%, respectively. The jobless rate for the Commonwealth is 4.1%. The 1997 median-family income for nonmetropolitan areas within Virginia is \$34,800.

A local government official was contacted during the examination to further assist in evaluating the bank's CRA performance. Although real estate financing is readily available by the local financial institutions, new home construction for affordable housing is limited.

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

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

The institution is responsive to area loan demand. During the six-quarter period ending June 1997, the average quarterly loan-to-deposit ratio for institutions headquartered in nonmetropolitan areas of Virginia and of similar asset size to The State Bank of the Alleghenies ranged from 69% to 72%. The bank's average loan-to-deposit ratio for the previous six quarters is 69% and meets 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 141 of the 465 consumer loans secured by motor vehicles extended during the previous six months was 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>	115	26	141
<b>Percentage of Total Loans</b>	82%	18%	100%
<b>Total Amount of Loans (000's)</b>	\$1,147	\$431	\$1,578
<b>Percentage of Total Amount</b>	73%	27%	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 115 consumer loans secured by motor vehicles extended within the assessment area was conducted to analyze borrower income characteristics. The following chart illustrates the distribution of sampled loans by income levels.

Distribution of Loans by Income Level of Borrower

	<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>	30	37	25	23	115
<b>Percentage of Total Loans</b>	26%	32%	22%	20%	100%
<b>Total Amount of Loans (000's)</b>	\$238	\$388	\$241	\$280	\$1,147
<b>Percentage of Total Loans</b>	21%	34%	21%	24%	100%

For purposes of comparison, the following chart 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

	<b>Low-Income</b>	<b>Moderate-Income</b>	<b>Middle-Income</b>	<b>Upper-Income</b>	<b>Total</b>
<b>Percent of Population</b>	20%	18%	24%	38%	100%

When compared to the distribution of area families, the percentage of loans extended to low- and moderate-income borrowers (58%) substantially exceeds the proportion (38%) of such families in the community. Furthermore, 55% of the dollar amounts of loans secured by motor vehicles were made to these borrowers.

**GEOGRAPHIC DISTRIBUTION OF LOANS**

As mentioned previously, there are no moderate-income areas located within the assessment area, and none of the low-income geographies included within the assessment area are populated. Eighty-nine percent and 11%, respectively, of the sampled loans were made within middle- and upper-geographies. The geographic distribution of the sampled loans appears reasonable and closely corresponds to the population (83% middle-income and 17% upper-income) residing in such areas.

**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. No 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.