

**PUBLIC DISCLOSURE**

October 7, 1996

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

F & M Bank-Keyser, Inc.

05540680

P. O. Box 789

Keyser, West Virginia 26726

**Federal Reserve Bank of Richmond  
P. O. Box 27622  
Richmond, Virginia 23261**

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

This document is an evaluation of the Community Reinvestment Act (CRA) performance of F & M Bank-Keyser, Inc., Keyser, West Virginia, prepared by the Federal Reserve Bank of Richmond, the institution's supervisory agency.

The evaluation represents the agency's current assessment and rating of the institution's CRA performance based on an examination conducted as of October 7, 1996. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

### Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under five performance categories, as detailed in the following section of this evaluation.

## ASSIGNMENT OF RATING

### Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

#### **Outstanding record of meeting community credit needs**

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

#### **Satisfactory record of meeting community credit needs.**

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

#### **Needs to improve record of meeting community credit needs.**

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

#### **Substantial noncompliance in meeting community credit needs.**

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

## DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating:

This institution is rated Satisfactory based on the findings presented below.

### I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

#### Conclusion/Support

Outreach efforts are adequate and demonstrate a willingness by the institution to promote community development. Director and officer involvement in, or direct contact with, local government officials and community organizations is the primary method management utilizes to determine local community credit needs. Daily business and social contacts complement these outreach efforts. The individuals and organizations contacted are considered a valuable method for ascertaining local credit needs and promoting bank services.

Assessment Factor C - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

#### Conclusion/Support

The board of directors has adopted and approved a formal CRA policy which is incorporated into the bank's expanded CRA Statement. The policy addresses outreach efforts, community development lending, credit products, and branch closing procedures. The CRA officer keeps the board informed of CRA related issues and regulatory changes through comprehensive monthly reports. Board minutes also reflect general discussions and ongoing oversight of the program by the directors.

### II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

Conclusion/Support

Marketing efforts have primarily taken the form of service and product advertisements placed in local publications and broadcast on local radio stations. Most of the advertising is institutional in nature and intended to generate community awareness of the availability of various bank services. Specific product and service information is promoted through statement stuffers, direct mailings, brochures, and lobby posters, as well as daily business and social contacts by directors and officers. These marketing efforts appear adequate and records of advertising are maintained.

Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

Conclusion/Support

The CRA statement, ratified on February 18, 1996, identifies a full range of credit services including consumer, residential mortgage, home improvement, residential construction, and commercial loans. These products appear responsive to the needs of the community, and all types have been extended.

Primarily a consumer lender, approximately 74% of the bank's portfolio is comprised of loans secured by one-to four-family residential properties and credits for various consumer purposes. Since the previous examination, the institution has originated 1,677 consumer loans totaling \$28 million. Specifically, 102 home purchase loans for \$7 million, 29 residential construction loans totaling \$1.3 million, 130 home refinance loans for \$7.6 million, and 20 home improvement loans totaling \$412,728 were originated since June 1995. Mobile home loans, as well as loans for small dollar amounts, are frequently offered to help meet the credit needs of low- and moderate-income borrowers. Twenty mobile home loans totaling \$209,000 and 433 loans for \$1,500 or less have been provided since June 1995.

In addition to meeting the credit needs of consumers, the institution routinely extends small business and commercial loans to finance business start up, facility expansion, and working capital. From June 1995 to September 1996, 175 commercial loans totaling \$4.3 million were originated. A significant majority of these loans were provided to small businesses with gross annual revenues of \$1 million or less.

Assessment Factor J - The institution's participation in governmentally insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms.

Conclusion/Support

Government sponsored mortgage loans are offered through Big Apple Mortgage Company, Inc., (BAM), a bank affiliate. Applicants for such credit are referred to BAM through a mortgage representative located in each of the bank's three branches. Since the previous examination, the bank documented 13 referrals to BAM.

Conclusion/Support--contd.

Additionally, business loans can be obtained through the Small Business Administration (SBA); no SBA loans, however have been extended since the previous examination. The bank also offers student loans through the Stafford Federal Guaranteed Student Loan Program. From June 1995 through September 1996, 1,781 loans were funded for education purposes totaling \$2.7 million.

**III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES**

Reasonableness of Delineated Community

Conclusion/Support

The local community has been delineated as Mineral County, West Virginia. This delineation appears reasonable, meets the purpose of the regulation, and does not exclude any low- and moderate- income areas.

Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

Conclusion/Support

Mineral County, West Virginia, is located within the Cumberland Metropolitan Statistical Area (MSA) and consists of seven census tracts. Six of these geographies are middle-income, while the remaining census tract is moderate-income. Ninety percent of the county's population resides in these six middle-income tracts.

Geographic information for consumer installment and real estate loan applications is compiled quarterly and periodically reviewed by management. During 1995, the bank monitored the geographic distribution of credit applications by zip code analysis. A review of this data indicated that 84% of accepted and 80% of denied credit applications were from within the delineated community. Recently, the bank purchased software allowing them to monitor the geographic distribution of loan applications by census tract. Data from the first half of 1996 indicated that 78% of loan originations were from within the delineation. A further analysis of recently accepted and denied loan applications (September 1996) revealed that 85% of approvals and 79% of denials were to residents of Mineral County. The loans reviewed demonstrate a reasonable penetration of lending into all segments of the delineated community.

In addition, a review of the bank's 1995 HMDA data revealed that 75% of all originated mortgage loans were to borrowers residing within the local community. A more detailed geographic analysis of the HMDA data could not be performed using the 1995 Loan Application Register since Mineral County is considered a small county, and therefore, the bank is not required to report census tract information.

Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.

Conclusion/Support

The institution's three offices are reasonably accessible to all segments of the community and the hours of operation are considered convenient. Since the previous evaluation, no offices have been closed; however, the bank has added automated teller machines to each of its branches, as well as installed a cash dispensing machine at a local convenience store. A formal policy addressing branch closings has been adopted that meets the requirements of the Federal Deposit Insurance Corporation Improvement Act of 1991.

**IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES**

Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

Conclusion/Support

Adequate policies, procedures, and training have been developed to support nondiscrimination in all lending activities. Applications are solicited from all segments of the delineated community, including low- and moderate-income neighborhoods. Additionally, a second party review system has been established for all denied loan applications to insure the equal treatment of credit applicants.

The bank's 1995 HMDA data indicated that 1.6% of mortgage originations from within the delineated community were from minorities. The minority population within Mineral County is only 3.4%.

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

Conclusion/Support

A review was made of written loan policies, forms, procedures, and 29 accepted and 29 denied loan applications for consumer and business credit; and an interview with a loan officer was also performed to determine compliance with the fair housing and fair lending laws and regulations. The review of credit files demonstrated an equal application of credit standards among all applicants. The institution is in compliance with the substantive provisions of antidiscrimination laws and regulations. Technical violations of the Equal Credit Opportunity Act, however, were identified during the examination.

**V. COMMUNITY DEVELOPMENT**

Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.

Conclusion/Support

Through its outreach efforts, management is generally aware of community development opportunities in the local market. No current development projects, however, are underway within the community. The bank's participation in community development activities has, therefore, been in the form of direct loans, contributions, and technical expertise.

The institution supports community development primarily through direct lending to small businesses, individuals, and nonprofit organizations, as evidenced by a 76% loan-to-deposit ratio. In addition, 65% of the bank's assets are comprised of credit extensions. Some of the loans recently originated for community development purposes include:

A loan was extended to a volunteer fire department for the purpose of constructing a new fire company building.

Financing has been provided to an individual for a new car wash in the local area.

A loan was originated to a local business owner to purchase a mini-storage facility.

An extension of credit was made to a community church for improvements.

Financing was provided to a business owner for the expansion of a commercial building for storage and office space.

Assessment Factor K - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

Conclusion/Support

The institution displays an adequate level of participation in local community projects that promote revitalization and growth consistent with its size, financial capacity, and current local conditions. Mineral County, West Virginia, is primarily rural and located in the eastern panhandle of the State, approximately 25 miles south of Cumberland, Maryland. According to 1990 census information, the county has a population of 26,697 and is included in the Cumberland Metropolitan Statistical Area (MSA). The local economy is fairly diverse, providing employment opportunities through manufacturing companies such as Westvaco Corporation (paper production), Aerospace Products Group of Hercules, Inc. (propulsion rocket motors production), and Automated Packaging (polyethylene packaging). State and local governments also provide significant employment opportunities. Recent statistics indicate the unemployment rate for Mineral County is 4.8%, which is below the statewide average of 6.5%.

Assessment Factor L - Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

Conclusion/Support

Technical assistance, volunteer activities, and charitable contributions further support community development. Specifically, bank management sponsors the "Banking Is" program at the local high school which helps students learn how to maintain and reconcile a checking account, calculate interest, and prepare a budget. Bank personnel also provide presentations to local high schools, community colleges, and civic groups concerning credit and financial issues. Monetary donations are also regularly provided to various nonprofit organizations, schools, and charities.

There appear to be no restrictions on the bank's ability to provide credit to the community consistent with its human and financial resources.

**Regression Program Usage Report**

(This form should be filled out for each examination conducted involving a HMDA reporter.)

Institution Name: F & M Bank-Keyser, Inc.

City, State: Keyser, West Virginia

Exam Date: October 7, 1996

Number of HMDA LAR records: 173

Year(s) of data considered: 1995

	FHA, VA, & FmHA HOME Purchase		Conventional Home Purchase		Refinancings		Home Improvement	
	1995	Year	1995	Year	1995	Year	1995	Year
White Approvals	0	0	85	0	53	0	4	0
White Denials	0	0	11	0	6	0	2	0
Minority Approvals	0	0	1	0	0	0	1	0
Minority Denials	0	0	1	0	0	0	0	0

Was Step 1 of regression program run? N

if "N", why not? Insufficient number of minority denials

What grouping(s) of data (i.e, loan type, location, year(s), etc.) were used? MIN Pr > Chi Square Value

- (1) \_\_\_\_\_
- (2) \_\_\_\_\_
- (3) \_\_\_\_\_
- (4) \_\_\_\_\_
- (5) \_\_\_\_\_
- (6) \_\_\_\_\_

**Results from Regression Step 2**

(Fill this page out for each grouping on which step 2 was run.)

Standard Variables which were not needed for Step 2:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Judgmental Variables which were collected for Step 2:

_____	Cash Available for Closing	_____	Special Loan Program
_____	Refi from Same Lender	_____	Cash Out vs No Cash Out
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Value of MIN Pr > Chi-Square: \_\_\_\_\_

Number of Minority Rejections: \_\_\_\_\_

Number of "Dominant Pairs": \_\_\_\_\_

Explain which files pair analysis used: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

What additional factors explained away pairs? \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Were pairs of loan files given to bank for explanation?            Y            N

Examiner hours spent specifically on regression: \_\_\_\_\_