

**PUBLIC DISCLOSURE**

August 6, 1996

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Miners & Merchants Bank and Trust Company

05511268

P. O. Box 1010

Grundy, Virginia

**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

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 Community Reinvestment Act (CRA) performance of Miners & Merchants Bank and Trust Company, Grundy, Virginia, prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of August 6, 1996. 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 is considered reasonable given its financial capacity and location. The institutions's high level of lending within the assessment area, particularly to low- and moderate-income borrowers, demonstrates an overall outstanding level of performance. A review of consumer and mortgage loans recently extended revealed that 43% and 30%, respectively, were made to low-income borrowers. Low-income families comprise 27% of the assessment area. The distribution of lending by the income level of geographies in the assessment area appears reasonable in relation to area demographics.

The following table indicates the performance level of Miners & Merchants Bank and Trust Company with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>Miners &amp; Merchants Bank and Trust Company</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes	X		
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the prior examination.		

## **DESCRIPTION OF INSTITUTION**

As of June 30, 1996, Miners & Merchants Bank and Trust Company had total assets of \$194.5 million. More than half of these assets (59%) consist of loans. The bank's primary lending focus is consumer credit. Nearly 75% of the loan portfolio is composed of either loans secured by real estate or other consumer loans including single payment and instalment loans. Commercial and industrial financing comprise the remaining 25% of the loan portfolio. Three new branches have been opened since the previous examination, elevating the total number of offices to seven. The institution's previous CRA rating was outstanding.

## **DESCRIPTION OF ASSESSMENT AREA**

The assessment area includes the Counties of Buchanan, Tazewell, Russell, Washington, and the City of Bristol. There are 39 census tracts and/or block numbering areas (BNAs) in the assessment area of which 38 are populated. Of the populated census tracts and/or BNA's, 17 are moderate-income, 19 are middle-income, and two are upper-income. The population of the local community is 170,273, and the area is primarily rural. The economies of Buchanan, Tazewell, and Russell Counties have historically been dependent on the coal mining industry. Due to increased automation, however, this industry offers fewer and fewer job opportunities. As a result, current unemployment rates are relatively high (Buchanan-19%, Tazewell-9.9%, Russell-12.3%) as compared to the Commonwealth's rate of 4.8%. Efforts are being made by local government and community leaders to attract new business to the area to help strengthen the economy.

Washington County and the City of Bristol, Virginia are part of the Bristol Metropolitan Statistical Area (MSA). Current unemployment rates are 7.9% for Washington County and 5.7% for the City of Bristol. Local manufacturing companies and agribusiness provide a significant number of jobs to area residents. The major manufacturing employers in the area are Westinghouse Electric Corporation, Bristol Compressors, Inc., Camac Corporation, Mid-Mountain Foods, Columbus McKinnon Corporation, and U. S. Gypsum Company, Inc. Agricultural activities primarily involve poultry and egg production. Information gathered from recent community contacts further emphasized that a large portion of the economy remains weak due to the declining coal mining industry.

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

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

The average loan-to-deposit ratio of 66% for the previous eight quarters is considered reasonable given the bank's location, financial capacity, size and current local economic conditions. The bank's level of lending is responsive to the area's loan demand. The average loan-to-deposit ratio for banks located in the assessment area and of similar size to Miners & Merchants Bank and Trust Company is 65%.

**LENDING IN ASSESSMENT AREA**

A review of 102 consumer loans was conducted to determine the volume of lending within the bank's assessment area. Since the area is primarily rural, customer addresses are usually given as post office boxes. Therefore, only 40 of the 102 loans had adequate addresses that could be geocoded. As illustrated in the following chart, a substantial majority of the number and dollar amount of the sampled loans has been provided to residents in the area.

Comparison of Credit Extended Inside and Outside of Assessment Area

	Inside Assessment Area	Outside Assessment Area	Total
Total Number of Loans	33	7	40
Percentage of Total Loans	83%	17%	100%
Total Amount of Loans (000's)	\$201	\$38	\$239
Percentage of Total Amount	84%	16%	100%

The bank periodically performs an analysis of all loans by zip codes. According to bank records, from January 1, 1996, through June 30, 1996, 90% of nonreal estate loans and 80% of real estate loans were extended to residents in the bank's assessment area.

**LENDING TO BORROWERS OF DIFFERENT INCOMES**

The following charts illustrate the distribution of the sampled consumer loans by income level of the borrower within the assessment area. Of the 95 consumer loans reviewed, a majority was provided to low- and moderate-income borrowers.

Distribution of Loans by Income Level of Borrower

Consumer Loans

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	41	26	19	9	95
Percentage of Total Loans	43%	27%	20%	10%	100%
Total Amount of Loans (000's)	\$147	\$134	\$150	\$131	\$562
Percentage of Total Amount	26%	24%	27%	23%	100%

The volume of this lending to low- and moderate-income residents (70%) substantially exceeds the proportion of such families (47%) in the assessment area. Low-income and moderate-income families comprise 27% and 20% of the assessment area, respectively. Middle- and upper-income families make up 21% and 32% of the local community, respectively.

A sample of 100 mortgage loans extended by the bank from January 1, 1996 through June 30, 1996, reported on its Home Mortgage Disclosure Act (HMDA) Loan Application Register was also reviewed. As illustrated by the following chart, a majority of loans extended was to low- and moderate-income borrowers.

Distribution of Loans by Income Level of Borrower

HMDA Loans

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	30	35	23	12	100
Percentage of Total Loans	30%	35%	23%	12%	100%
Total Amount of Loans (000's)	\$281	\$705	\$761	\$273	\$2,020
Percentage of Total Amount	14%	35%	38%	13%	100%

The volume of this lending to low- and moderate-income residents (65%) substantially exceeds the proportion of such families in the assessment area.

**GEOGRAPHIC DISTRIBUTION OF LOANS**

Due to the lack of adequate addresses, only a limited number of loans could be reviewed for a geographic distribution analysis. As shown by the following chart, a sample of 33 consumer loans revealed a majority (58%) was extended to individuals residing in moderate-income areas.

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

	Moderate- Income	Middle- Income	Upper-Income	Total
Total Number of Loans	19	12	2	33
Percentage of Total Loans	58%	36%	6%	100%
Total Amount of Loans (000's)	\$89	\$96	\$16	\$201
Percentage of Total Amount	44%	48%	8%	100%

While this is a relatively small sample, it does reflect a reasonable dispersion of lending in the bank's assessment area. The community contains only one low-income census tract which is unpopulated. Within the assessment area, 44% of the population resides in moderate-income census tracts or BNA's, 51% in middle-income neighborhoods, and 5% in upper-income neighborhoods.

**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 and credit activities.