

PUBLIC DISCLOSURE

May 13, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank of Gassaway

05540490

P.O. Box 40

Gassaway, West Virginia 26624

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 the Bank of Gassaway prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of May 13, 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 Satisfactory.

The bank's loan-to-deposit ratio appears reasonable in relation to demand for credit in the assessment area. A majority of loans sampled during the examination were extended within the assessment area, and a significant portion were to low- and moderate-income borrowers. The penetration of loans throughout the market meets expectations for satisfactory performance in relation to the institution's branch locations and area loan demand.

The following table indicates the performance level of Bank of Gassaway with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>BANK OF GASSAWAY</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

The Bank of Gassaway operates three offices in Braxton County and one office in Clay County, West Virginia. As of March 31, 1996, the bank had assets of \$83.4 million, of which a majority (59%) were loans. Various loan products available through the institution include credit for construction, residential mortgage, commercial, and consumer purposes. The loan portfolio as of March 31, 1996, was comprised of the following: 47% real estate secured (consumer and business), 39% consumer, and 14% commercial. Based on volume, unsecured consumer loans were identified as a primary credit product offered by the institution.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area consists of the entire counties of Braxton and Clay, West Virginia. The two counties are located in the central portion of the State. The total area is approximately 488 square miles in size, and each county is comprised of three Block Numbering Area (BNAs). All three BNAs within Braxton County are considered middle-income, while all three BNAs in Clay County are moderate-income. The population of the assessment area according to the 1990 census is 22,981. Less than 1% of the population is considered minority. The following table provides assessment area demographics by the income level of residents and the percentage of area residents living in BNAs of varying income levels.

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Percentage of Area Families by Income Level	31%	18%	19%	32%	100%
Percentage of Population Residing in BNA by BNA Income Level	N/A	43%	57%	N/A	100%

Employment opportunities are primarily provided by State and local governments, and the mining, construction, manufacturing and retail trade industries. General economic conditions for the area, however, remain relatively weak. As of January 1996, the unemployment rates for Braxton and Clay Counties were 17% and 18.6%, respectively. These rates are substantially higher than the West Virginia jobless rate of 9.4%.

A community contact was performed with an official from a local economic development organization to further assist in evaluating the bank's CRA performance. Information gathered from the contact revealed that the local economy is weakened by the lack of employment opportunities for local residents. The contact believed that local financial institutions are adequately meeting the credit needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN-TO-DEPOSIT RATIO

The average loan-to-deposit ratio for the previous six quarters was approximately 63% and is considered reasonable given the institution's financial capacity, size, and current local economic conditions. The average loan-to-deposit ratio for banks headquartered in nonmetropolitan areas of West Virginia and of similar asset size as the Bank of Gassaway is 66%.

LENDING IN ASSESSMENT AREA

A sample of 125 unsecured consumer loans was reviewed to determine the bank's lending within its assessment area. As illustrated by the chart below, a majority of the number and dollar amounts of the sampled loans have been provided to borrowers living within the assessment area.

Comparison of Credit Extended Inside and Outside of the Assessment Area

	Inside Assessment Area	Outside Assessment Area	Total
Total Number of Loans	107	18	125
Percentage of Total Loans	86%	14%	100%
Total Amount of Loans (000's)	\$253	\$39	\$292
Percentage of Total Amount	87%	13%	100%

Additionally, the Bank of Gassaway has recently begun to geocode its lending activity by BNA number. A review of the bank's geocoding information also indicated that during the months of March and April 1996, the major portion (86%) of loans were provided to residents of the assessment area.

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

The following table illustrates the distribution of the sampled loans extended within the assessment area by the income level of the borrower.

Distribution of Loans in Assessment Area by Income Level of Borrower

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	47	26	14	20	107
Percentage of Total Loans	44%	24%	13%	19%	100%
Total Amount of Loans (000's)	\$84	\$51	\$55	\$63	\$253
Percentage of Total Amount	33%	20%	22%	25%	100%

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES-contd.

The sample of 107 loans indicates that a majority were provided to low- and moderate-income borrowers. The volume of this lending activity (68%) far exceeds the proportion of low-income (31%) and moderate-income (18%) residents in the assessment area. Moreover, a majority of the dollar amount of credit extended (53%) were to low- and moderate-income borrowers.

GEOGRAPHIC DISTRIBUTION OF LOANS

The review of loan files also included an analysis of lending among BNAs within the assessment area. The table below depicts the geographic distribution of lending according to the income level of the BNA.

Distribution of Loans in Assessment Area by Income Level of Block Numbering Area

	Moderate- Income	Middle- Income	Total
Total Number of Loans	15	92	107
Percentage of Total Loans	14%	86%	100%
Total Amount of Loans (000's)	\$27	\$226	\$253
Percentage of Total Amount	11%	89%	100%

As previously mentioned, the institution's assessment area contains no low- or upper-income BNAs. The moderate-income BNAs all lie within Clay County, while the middle-income BNAs are all located in Braxton County. Although the bank's percentage of lending (14%) in moderate-income BNAs is lower than the proportion of the population residing in such BNAs (43%), there is only one office in Clay County. The remaining three offices are located in Braxton County. As a result, more loans are originated in Braxton County. A review of the bank's geocoding information revealed that during the months of March and April 1996, 25% of all loan extensions were within the moderate-income BNAs of Clay County, while 75% were within Braxton County.

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. Two violations involving technical aspects of the Equal Credit Opportunity Act's Regulation B were identified. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending and credit practices.

Regression Program Usage Report

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

Institution Name: Bank of Gassaway

City, ST: Gassaway, West Virginia

Exam Date: _____

Number of HMDA LAR records: _____

Year(s) of data considered: _____

	FHA, VA, & FmHA HOME Purchase		Conventional Home Purchase		Refinancings		Home Improvement	
	Year	Year	Year	Year	Year	Year	Year	Year
White Approvals								
White Denials								
Minority Approvals								
Minority Denials								

Was Step 1 of regression program run? Y 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) _____ | _____ |