

PUBLIC DISCLOSURE

April 15, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank of Tazewell County

05512850

P. O. Box 687

Tazewell, Virginia 24651

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 Bank of Tazewell County prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of April 15, 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 failed to meet the standards for satisfactory performance concerning its loan-to-deposit ratio. Nonetheless, the institution was able to exceed the standards for satisfactory performance in all other categories. The high level of lending within the assessment area, particularly to low- and moderate-income borrowers and to residents of moderate-income geographies demonstrates an overall satisfactory level of performance. Most notably, the bank's lending to low- and moderate-income borrowers substantially exceeds the percentage of such families in the assessment area.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>Bank of Tazewell County</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 have been received since the prior examination		

DESCRIPTION OF INSTITUTION

As of December 31, 1995, The Bank of Tazewell County had total assets of just over \$177 million. Credit extensions comprise 23% of this figure. The majority of the bank's loan portfolio (59%) consists of loans secured by 1-4 family residential properties and other consumer loans including single payment, instalment, and student loan extensions. Consumer credit secured by motor vehicles is a primary credit product. Approximately 41% of the bank's loan portfolio consists of commercial and industrial loans or credit secured by multifamily residential properties and nonfarm nonresidential properties. The institution operates seven branch offices in the Bluefield and Tazewell areas. No new facilities have been opened since the previous examination. Although total assets have risen by nearly \$7 million (4%) since June 1994, total loans have fallen by approximately \$3 million (6.6%). Deposit activity has increased by almost \$5 million (3.2%).

DESCRIPTION OF ASSESSMENT AREA

The institution defines its assessment area as Tazewell County, Virginia, and contiguous portions of Mercer and McDowell Counties, West Virginia. The area includes all 11 block numbering areas (BNAs) in Tazewell County and the following BNAs in West Virginia:

McDowell County:	Mercer County:	
9542	9516	9543
		9517
	9519	
	9520	
	9521	
	9522	

Tazewell County is located in the southwestern portion of the Commonwealth, bordering West Virginia. The majority of the county is considered rural. The local economy relies primarily on the coal industry. Increased mining automation and downsizing have led to layoffs and fewer employment opportunities. Because of the dependence on coal mining and related businesses, the local government and community leaders have made efforts to attract new industries to the region. The local economy, however, remains somewhat depressed. While agriculture and manufacturing provide some alternative employment for the county's 45,960 residents, the current unemployment rate of 8.2% is almost double the State average of 4.3%.

According to the 1990 census, the population for Tazewell County, Virginia and the delineated portions of McDowell and Mercer Counties, West Virginia delineated by the bank is 75,492. Eight percent of the population is minority. The assessment area has no low-income BNAs. Of the 19 BNAs in the community, eight are considered moderate-income, nine are middle-income, and two are upper-income. In light of the institution's low loan-to-deposit ratio, several community contacts were conducted during the examination to gather information about the area's economy and local financial institutions. These contacts included Government officials and a representative of a local credit counseling service. According to these individuals, the economy remains somewhat sluggish. The contacts further indicated that all financial institutions in the area appeared willing to provide credit to the local community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN-TO-DEPOSIT RATIO

The bank's average loan-to-deposit ratio for the previous six quarters was 28%. This figure reflects, in part, the stagnant local economy. Despite the economy, the ratio is considered somewhat low given the institution's size, financial condition, and location. Furthermore, other financial institutions within the area have been able to maintain higher loan-to-deposit ratios suggesting apparent local loan demand.

LENDING IN ASSESSMENT AREA

A sample of 104 consumer loans secured by motor vehicles was reviewed to determine the distribution of lending within the institution's assessment area. As illustrated below, a majority of the number and dollar amounts of the sampled loans were provided to residents of the bank's assessment area.

Comparison of Credit Extended Inside and Outside of Assessment Area

	Inside Assessment Area	Outside Assessment Area	Total
Total Number of Loans	85	19	104
Percentage of Total Loans	82%	18%	100%
Total Amount of Loans (000's)	\$562	\$168	\$730
Percentage of Total Amount	77%	23%	100%

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

The following chart indicates the distribution of the sampled loans by income level of the borrower within the assessment area.

Distribution of Loans by Income Level of Borrower

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	25	27	19	14	85
Percentage of Total Loans	29%	32%	22%	17%	100%
Total Amount of Loans (000's)	\$91	\$145	\$142	\$184	\$562
Percentage of Total Amount	16%	26%	25%	33%	100%

The volume of loans to low- and moderate-income borrowers (61%) substantially exceeds the proportion of families at these income levels. Low- and moderate-income families make up 26% and 19%, respectively, of the population within the assessment area. Middle and upper-income families make up 20% and 35%, respectively, of the population.

Management has also developed a loan product designed to provide home purchase loans primarily to low- and moderate-income residents of the community. This product, which was approved by the directorate in January, 1996, offers fixed rate mortgage loans up to \$50,000 for a maximum term of 20 years at below market interest rates. The bank has approved and/or extended 23 such loans to low- and moderate-income borrowers totaling \$664,320.

GEOGRAPHIC DISTRIBUTION OF LOANS

The bank's assessment area consists primarily of moderate- and middle-income areas. There are no low-income geographies located within the bank's assessment area. As shown by the following chart, the majority of the sampled loans was extended in moderate- and middle-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	41	38	6	85
Percentage of Total Loans	48%	45%	7%	100%
Total Amount of Loans (000's)	\$203	\$290	\$69	\$562
Percentage of Total Amount	36%	52%	12%	100%

The volume of loans to moderate- and middle-income areas borrowers (93%) exceeds the percentage of the local population residing in these areas. In particular, 42% of the population reside in moderate-income areas and 48% reside in middle-income areas.

The bank's geographic distribution reflects excellent dispersion throughout the assessment area.

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. 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.