

**PUBLIC DISCLOSURE**

March 5, 1996

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First Commonwealth Bank

05-51-3097

P. O. Box 150

Wise, Virginia 24293

**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 First Commonwealth Bank, Wise, Virginia, prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of March 5, 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 exceeds the expectations for satisfactory performance for two of the three lending distribution assessment criteria. The sample of loan files reviewed during the evaluation reflects a reasonable penetration of lending among individuals of different income levels, especially low- and moderate - income. The geographic distribution of lending, however, shows penetration in upper-income neighborhoods that somewhat exceeds the proportion the population residing in these areas. A substantial portion of loans extended in middle- and upper-income tracts, however, were made to low- and moderate-income borrowers. No complaints have been received since the previous evaluation regarding CRA performance.

The following table indicates the performance level of First Commonwealth Bank, Wise, Virginia, with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>FIRST COMMONWEALTH BANK</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**

First Commonwealth Bank has two offices, one in Wise County and the other in the City of Norton, Virginia. Both of these branches are in low- and moderate-income block numbering areas (BNAs). As of December 31, 1995, the bank had \$45.5 million in assets of which 52% were loans. Various credit and deposit products are available through the institution including loans for small business, commercial, residential mortgage, and consumer purposes. The composition of the loan portfolio is 58% consumer, 32% real estate-secured, and 13% commercial.

## **DESCRIPTION OF WISE COUNTY ASSESSMENT AREA**

The local assessment area incorporates all of Wise County and the City of Norton, Virginia. This area is primarily rural and the local economy remains heavily dependent on the coal mining industry. Mechanization of the industry and a recent mining company closing has diminished the need for labor and, as a result, the area has high unemployment rates of 15.8% and 11.9% for Wise County and the City of Norton, respectively. Employment opportunities not related to the coal industry are provided by two local colleges, several manufacturing firms, and retail businesses. Little diversification in the economy exists due to the mountainous terrain and low population density. Efforts by local government and community organizations are being made, however, to attract new industry to the region. The population of the market is 43,820 individuals, of which 3% are minorities. Nearly 50% of area families are considered low- and moderate-income. Furthermore, approximately 52% of the market residents live in low- and moderate-income BNAs. Information from a recent community contact was used to assist in evaluating the institution's CRA performance.

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

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

The average loan-to-deposit ratio of 58% for the previous eight quarters is considered reasonable given bank's location, financial capacity, size, and current local economic conditions.

### **LENDING IN ASSESSMENT AREA**

A review of 135 consumer unsecured loans was conducted to determine the volume of lending within the assessment area. As illustrated below, a substantial majority of the number and dollar amounts of the sampled loans have been provided to residents of the area.

Comparison of Credit Inside and Outside of the Assessment Area

	Inside Assessment Area	Outside Assessment Area	Total
Total Number of Loans	125	10	135
Percentage of Total Loans	93%	7%	100%
Total Amount of Loans (000's)	\$281	\$18	\$299
Percentage of Total Amount	94%	6%	100%

**LENDING TO BORROWERS OF DIFFERENT INCOMES**

Of the 125 loan files from within the assessment area, 122 contained information about the applicant's income. The following chart depicts the bank's lending to applicants of different income levels. The sample suggests that the bank has been successful in lending to borrowers of all income levels, specifically low- and moderate-income applicants.

Distribution of Loans by Income Level of Borrower

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	63	27	18	14	122
Percentage of Total Loans	52%	22%	15%	11%	100%
Total Amount of Loans (000's)	\$106	\$46	\$65	\$53	\$269
Percentage of Total Amount	38%	16%	23%	19%	96%

## **GEOGRAPHIC DISTRIBUTION OF LOANS**

The CRA evaluation included a review of lending in various BNAs within the assessment area. For the delineated market, 52% of the population resides in moderate-income neighborhoods, 38% in middle-income neighborhoods, and 10% in upper-income neighborhoods. The nine low-income BNAs within the assessment area have no population. The following chart illustrates the geographic distribution of the bank's lending and evidences lending in all types of neighborhoods.

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

	<b>Moderate- Income</b>	<b>Middle- Income</b>	<b>Upper- Income</b>	<b>Total</b>
<b>Total Number of Loans</b>	49	22	54	125
<b>Percentage of Total Loans</b>	39%	18%	43%	100%
<b>Total Amount of Loans (000s)</b>	\$113	\$46	\$122	\$281
<b>Percentage of Total Amount</b>	40%	16%	43%	100%

## **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. A technical violation of the Equal Credit Opportunity Act's Regulation B was noted. Adequate policies, procedures, and training programs have been developed to support

nondiscrimination in lending activities.