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 Romney, Romney, West Virginia, prepared by The Federal Reserve Bank of Richmond, the institution’s supervisory agency, as of April 21, 1997. 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 appears reasonable given its financial capacity and demand for credit in the area. A substantial 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 assessment area contains only middle-income block numbering areas (BNAs); therefore, the distribution of lending by income level of the BNAs was not considered in evaluating the bank’s CRA performance.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	The Bank of Romney 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	Analysis was not meaningful.		
Response to Complaints	No complaints have been received since the prior examination.		

DESCRIPTION OF INSTITUTION

The Bank of Romney is headquartered in Romney, West Virginia, and operates three offices located in Hampshire County. As of March 31, 1997 the institution had total assets of $113 million, of which 62% were loans. Various deposit and credit products are available through the institution including real estate, construction, commercial, consumer, and agricultural loans. The bank's loan portfolio, as of March 31, 1997, was comprised of the following: 75% real estate secured (consumer and business), 19% consumer, and 6% commercial and agricultural. Based on the number of loans recently extended, consumer unsecured and secured credits have been identified as the bank's primary loan products. The institution's previous CRA rating was outstanding.

DESCRIPTION OF ASSESSMENT AREA

The assessment area encompasses all of Hampshire County, West Virginia. The county is located in the northeastern portion of the state, bordering Maryland and Virginia. Hampshire County is comprised of five block numbering areas (BNAs), all of which are considered middle-income. According to the 1990 census, the population of the assessment area is 16,498.

Hampshire County is predominately rural. The local economy is supported primarily through cattle and timber production. Many residents commute to the larger metropolitan areas of Winchester, Virginia and Cumberland, Maryland for employment. The unemployment rate for the county is 6.5% and compares favorably to the jobless rate of 7.8% for the state. The 1996 nonmetropolitan median-family income for West Virginia is $26,600.

A community contact was performed with a local government official to further assist in evaluating the bank's CRA performance. The contact indicated that the lack of infrastructure was the primary barrier to county growth and that the availability of additional small business and farm related credit would benefit the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN-TO-DEPOSIT RATIO

The average loan-to-deposit ratio during the previous eight quarters is 72% and is considered reasonable given the institution's financial capacity, size, and current economic conditions. From December 1995 to December 1996, loan-to-deposit ratios for banks headquartered in nonmetropolitan areas of West Virginia and of similar size to The Bank of Romney ranged from 73% to 75%.

LENDING IN ASSESSMENT AREA

To determine the institution's volume of lending within the assessment area, a sample of 70 unsecured and 70 secured consumer loans was reviewed. This sample was taken from loans originated from August 1996 to January 1997. The lending distribution is represented in the following table.

Comparison of Credit Extended Inside and Outside of Assessment Area

	Inside Assessment Area	Outside Assessment Area	Total
Total Number of Loans	118	22	140
Percentage of Total Loans	84%	16%	100%
Total Amount of Loans (000's)	$459	$74	$533
Percentage of Total Amount	86%	14%	100%

As illustrated above, a substantial majority of the number and dollar amounts of the sampled loans were provided to residents of the assessment area.

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

The following charts depict the distribution of unsecured and secured consumer loans extended within the assessment area by borrower income level.

Distribution of Loans by Income Level of Borrower

Unsecured Consumer Loans

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	18	19	15	5	57
Percentage of Total Loans	32%	33%	26%	9%	100%
Total Amount of Loans (000's)	$23	$37	$40	$15	$115
Percentage of Total Amount	20%	32%	35%	13%	100%

Secured Consumer Loans

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	16	26	11	8	61
Percentage of Total Loans	26%	43%	18%	13%	100%
Total Amount of Loans (000's)	$73	$141	$36	$93	$343
Percentage of Total Amount	22%	41%	10%	27%	100%

As a means of comparison, the chart below depicts families residing within the assessment area by low-, moderate-, middle-, and upper-income levels.

Percentage of Families in Assessment Area by Income Level

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Percent of Population	17%	18%	23%	42%	100%

When compared to the market distribution of families, the bank's volume of lending to low- and moderate-income individuals for unsecured (65%) and secured (69%) consumer loans significantly exceeds the percentage of such families residing within the assessment area (35%). Moreover, a majority of the dollar amount of loans extended (52% for unsecured and 63% for secured) were to low- and moderate-income borrowers.

GEOGRAPHIC DISTRIBUTION OF LOANS

As previously mentioned, the bank's assessment area is comprised of five middle-income BNAs. Accordingly, 100% of the number and dollar amounts of loans within the market were extended in these geographies. Therefore, no meaningful analysis of the geographic distribution of loans could be performed.

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.