

**PUBLIC DISCLOSURE**

August 4, 1997

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First Commonwealth Bank

05513097

P. O. Box 150

Wise, Virginia 24293

**Federal Reserve Bank of Richmond**

**P. O. Box 27622**

**Richmond, Virginia 23261**

NOTE: 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 CRA performance of First Commonwealth Bank, Wise, Virginia, prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of August 4, 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 Satisfactory.

The bank's loan-to-deposit ratio is considered reasonable given its financial capacity, current economic conditions, and demand for credit in the area. A substantial majority of loans sampled during the examination were provided to residents of the assessment area. Furthermore, the bank's level of lending to low- and moderate-income borrowers approximates the proportion of such families residing in the market area. Due to the use of post office box numbers, a geographic analysis could not be conducted.

The following table indicates the performance level of First Commonwealth Bank 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	Analysis could not be conducted.		
Response to Complaints	No complaints have been received since the prior examination.		

**DESCRIPTION OF INSTITUTION**

First Commonwealth Bank operates two offices in Wise County, Virginia. The main office is located in the Town of Wise and a branch office is situated in the City of Norton, Virginia. As of June 30, 1997, the institution had total assets of \$48 million, of which 48% were loans. A variety of credit products is offered including loans for residential mortgage, commercial, and consumer purposes. The loan portfolio is comprised of 24% real estate secured (business and consumer), 60% consumer, 15% commercial, and 1% other loans. Based upon the volume of loans originated during the previous year, both consumer loans secured by motor vehicles and unsecured consumer loans were identified as principal credit products. First Commonwealth Bank received a Satisfactory rating on its previous CRA evaluation.

**DESCRIPTION OF ASSESSMENT AREA**

The institutions assessment area includes all of Wise County, Virginia and the independent City of Norton, Virginia. According to 1990 census data, the assessment area has a population of 43,820 residents. The assessment area is comprised of 22 Block Numbering Areas (BNAs). The nine low-income BNAs included within the assessment area are unpopulated. Of the remaining 13 populated BNAs, seven are moderate-income, five are middle-income, and one is upper-income. The chart below depicts the demographics of Wise County and the City of Norton by the income level of the families residing in the area.

Percentage of Families in the Assessment Area by Income Level

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Percentage of Families	30%	20%	19%	31%	100%

The following table portrays the percentage of assessment area population residing in low-, moderate-, middle-, and upper-income BNAs.

Population Percentage within the Assessment Area by BNA Income Level

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Percentage of Population Residing in BNAs	0%	52%	38%	10%	100%

The assessment area is primarily rural. The economy has traditionally relied on the coal industry for many employment opportunities. However, county officials have continued efforts to reduce local dependence on this industry because of limited employment opportunities. Two state prisons are currently under construction and are scheduled to be completed in the spring of 1998. A Federal

prison will also tentatively be built in a neighboring county. When fully operational, the three prisons are expected to create 1,000 jobs for the

assessment area and surrounding counties. Other employment opportunities not related to the coal industry are provided by two local colleges, several manufacturing firms, and retail businesses. As of June 1997, the unemployment rates for Wise County and the City of Norton were 5.7% and 10.8%,

respectively, compared to the jobless rate for the Commonwealth of 4.7%. The 1996 median family income for nonmetropolitan areas of Virginia is \$33,600.

A representative from a local trade organization and a county government official were contacted during the evaluation to further assist in evaluating the bank's CRA performance. The contacts indicated that area banks are adequately serving the community.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

**LOAN-TO-DEPOSIT RATIO**

The average loan-to-deposit ratio for banks headquartered in nonmetropolitan areas of Virginia and of similar asset size to First Commonwealth Bank ranges from 65% to 70% for a sixth quarter period ending March 31, 1997. The ratio for the Commonwealth, however, does not constitute a sound benchmark for comparative purposes, as it includes banks with branches in more urban areas of Virginia that do not have the relatively high levels of unemployment found in the assessment area. The bank's loan-to-deposit ratio for the previous six quarters is 54% and is considered reasonable given the institution's financial capacity, size, location, and current economic conditions.

**LENDING IN ASSESSMENT AREA**

To determine the institution's volume of lending within the assessment area, a sample of 120 consumer credit extensions originated during the previous six months was reviewed. The sample consisted of 63 loans secured by motor vehicles and 57 unsecured loans. The lending distribution is represented by the following table.

**Comparison of Credit Extended Inside and Outside of Assessment Area**

**Total Loans**

	<b>Inside Assessment Area</b>	<b>Outside Assessment Area</b>	<b>Total</b>
<b>Total Number of Loans</b>	112	8	120
<b>Percentage of Total Loans</b>	93%	7%	100%
<b>Total Amount of Loans (000's)</b>	\$1,070	\$79	\$1,149
<b>Percentage of Total Amount</b>	93%	7%	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**

A review of the 112 sampled loans extended within the assessment area was conducted to analyze borrower income characteristics. The charts below depict the distribution of loans secured by motor vehicles and unsecured loans by borrower income level.

**Distribution of Loans by Income Level of Borrower**

Motor Vehicle Loans

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
<b>Total Number of Loans</b>	11	23	11	16	61
<b>Percentage of Total Loans</b>	18%	38%	18%	26%	100%
<b>Total Amount of Loans (000's)</b>	\$107	\$309	\$178	\$278	\$872
<b>Percentage of Total Loans</b>	12%	36%	20%	32%	100%

Unsecured Loans

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
<b>Total Number of Loans</b>	22	13	10	6	51
<b>Percentage of Total Loans</b>	43%	25%	20%	12%	100%
<b>Total Amount of Loans (000's)</b>	\$44	\$49	\$74	\$31	\$198
<b>Percentage of Total Loans</b>	22%	25%	37%	16%	100%

The volume of motor vehicle loans (56%) and unsecured loans (68%) made to low- and moderate-income borrowers exceeds the proportion of such families living within the assessment area (50%). When compared to the distribution of area families, the percentage of loans extended to borrowers of different income levels reasonably approximates the population demographics.

#### **GEOGRAPHIC DISTRIBUTION OF LOANS**

Due to the rural nature of the assessment area, most residents not living within the City of Norton use post office box numbers for mailing addresses. As a result, the addresses provided with the sampled loans are not indicative of the borrowers actual place of residence. Therefore, a geographic distribution analysis could not be conducted. Due to this lack of valid geographic identification information, loan distribution by borrower income level was used to evaluate lending activity within the assessment area.

#### **COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS**

No credit practices inconsistent with the substantive provisions of fair housing and fair lending laws and regulations were identified. Technical violations of the Equal Credit Opportunity's Regulation B were noted. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.