

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 The Peoples Bank of Mullens, Mullens, West Virginia, prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of February 9, 1998. 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 meets standards for satisfactory performance, given its financial capacity and demand for credit in the assessment area. A substantial majority of loans sampled during the examination were extended to borrowers residing within the assessment area, and a reasonable portion of these loans were provided to low- and moderate-income borrowers. The assessment area consists solely of middle-income Block Numbering Areas (BNAs); therefore, the distribution of lending by income level of geographies was not considered in this evaluation.

DESCRIPTION OF INSTITUTION

The Peoples Bank of Mullens operates two branches located in Wyoming County, West Virginia. As of December 31, 1997, the bank had total assets of approximately \$101 million, of which 29% were loans. Various deposit and loan products are available through the institution, including loans for residential mortgage, consumer, and business purposes. The composition of the loan portfolio, as of December 31, 1997, is as follows: 57% real estate secured (consumer and business), 31% consumer, and 12% commercial. Based on the number of loans extended during the previous six months, consumer unsecured and residential mortgage loans were identified as the bank's principal credit products. The institution's previous CRA rating was satisfactory.

DESCRIPTION OF ASSESSMENT AREA

The institution's assessment area includes all of Wyoming County. According to the 1990 census, the assessment area has a population of 28,990. This market area contains five middle-income BNAs, all of which are populated. The 1997 median-family income for nonmetropolitan areas of West Virginia is \$27,600.

The following table provides assessment area demographics by the income level of families.

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Percentage of Area Families by Income Level	26%	17%	18%	39%	100%

The local economy is among the weakest in the state and has historically experienced high unemployment rates. Wyoming County is a rural area with a mountainous topography which severely limits industrial development. Employment opportunities are primarily provided by coal mining or related industries. Automation in coal mining, however, has resulted in a significant reduction in employment opportunities for the local area. Other sources of employment are local government, education, transportation, and public utilities. Many residents commute to nearby Beckley, West Virginia, for additional job opportunities. As of December 1997, the unemployment rate for Wyoming County was 7.7%. The jobless rate for the State of West Virginia was 6.5%.

A community contact was made with representatives from the local government. The contacts indicated that employment opportunities are deteriorating primarily as a result of automation within the coal mining industry. Although demand for banking services has been limited due to the depressed nature of the area, the contacts stated that local financial institutions actively participate in available development projects and 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 is 35%. This indicates a slight increase from the five-quarter ratio noted at the previous evaluation (33%) and is considered reasonable given the institution's financial

capacity, size, and current local economic conditions. During a six-quarter period ending December 1997, the quarterly average loan-to-deposit ratio for banks headquartered in nonmetropolitan areas of West Virginia, and of similar asset size to The Peoples Bank of Mullens ranged from 74% to 81%. However, a more detailed comparison reveals that for similarly-sized banks in nearby areas where demand for credit is presumably comparable, the average loan-to-deposit ratio is 53%.

LENDING IN ASSESSMENT AREA

Comparison of Credit Extended Inside and Outside of Assessment Area

To determine the volume of lending within the institution's assessment area, a sample of 139 of 442 consumer unsecured loans and 46 of 60 residential mortgage loans extended during the previous six months was reviewed. The lending distribution is represented by the following table.

	Inside Assessment Area	Outside Assessment Area	Total
Total Number of Loans	161	24	185
Percentage of Total Loans	87%	13%	100%
Total Amount of Loans (000's)	\$1,436	\$291	\$1,727
Percentage of Total Amount	83%	17%	100%

As illustrated above, a substantial majority of the number and dollar amounts of the sampled loans have been provided to borrowers residing within the assessment area.

LENDING TO BORROWERS OF DIFFERENT INCOMES

The following charts illustrate the distribution of consumer unsecured and residential mortgage loans originated within the assessment area by income level of the borrower.

Distribution of Loans by Income Level of Borrower

Consumer Unsecured Loans

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	22	35	33	30	120
Percentage of Total Loans	18%	29%	28%	25%	100%
Total Amount of Loans (000's)	\$41	\$62	\$72	\$100	\$275
Percentage of Total Loans	15%	23%	26%	36%	100%

Residential Mortgage Loans

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	5	5	10	21	41
Percentage of Total Loans	12%	12%	25%	51%	100%
Total Amount of Loans (000's)	\$78	\$109	\$190	\$785	\$1,162
Percentage of Total Loans	7%	9%	16%	68%	100%

As depicted in the previous tables, the percentage of consumer unsecured loans extended to low- and moderate-income borrowers (47%) exceeds the percentage of low- and moderate-income families (43%) in the assessment area. The percentage of residential mortgage loans to low-income borrowers (12%) is somewhat lower than the percentage of such families (26%) within the assessment area. However, slightly more than 24% of families in the assessment area are below poverty level compared to 16% for the state. The effective demand for residential mortgage loans by such families may therefore, be limited. Collectively, the distribution of the sampled loans is considered reasonable.

GEOGRAPHIC DISTRIBUTION OF LOANS

As previously mentioned, the bank's assessment area is entirely comprised of middle-income BNAs. Therefore, 100% of the number and dollar amount of loans extended within the assessment area were in middle-income BNAs.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS

No credit practices inconsistent with the fair housing and fair lending laws and regulations were identified. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending and credit activities.