



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 8, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**National Bank of Davis
Charter Number #4828
William Avenue
Davis, West Virginia 26260**

**Office of the Comptroller of the Currency
Charleston Field Office
100 Capitol Street, Suite 400
Security Building
Charleston, West Virginia 25301**

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 Community Reinvestment Act (CRA) performance of the **National Bank of Davis** prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of September 30, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A of 12 Code of Federal Regulations (CFR) Part 25.

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**.

The **National Bank of Davis** has met or exceeded the standards for satisfactory performance for each of the following assessment criterion: loan to deposit ratio; lending within the assessment area; lending to borrowers of different incomes and to businesses of different sizes; geographic distribution of loans; and response to consumer complaints. This evaluation is based on information from June 30, 1995 through September 30, 1997.

The following table indicates the level of CRA performance of the *National Bank of Davis* with respect to each assessment criterion for small institutions:

SMALL INSTITUTION ASSESSMENT CRITERIA	NATIONAL BANK of DAVIS PERFORMANCE LEVELS		
	<u>Exceeds</u> Standards for Satisfactory Performance	<u>Meets</u> Standards for Satisfactory Performance	<u>Does Not Meet</u> 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	The Bank has received no CRA related complaints.		

DESCRIPTION OF INSTITUTION

The National Bank of Davis (NBD) is a \$15 million community bank with its main office located in Davis, West Virginia. In addition to its main office, NBD operates a full service branch in the Canaan Valley area of West Virginia, approximately 12 miles from Davis. There are drive-through facilities at the main office, as well as at the branch. The bank is presently test operating an automated teller machine at its branch in Canaan Valley.

As of September 30, 1997, net loans represented approximately 55% of total assets and 58% of total deposits. NBD's loan portfolio consists of 46% residential real estate loans, 16% consumer loans, and 38% commercial loans. Due to its size, NBD offers a limited number of loan products with the most prevalent being a fixed rate mortgage loan. The bank also makes low-dollar consumer loans, including unsecured personal loans with no minimum loan amount. NBD also accommodates customers who require more flexible credit terms by offering credit card applications through a credit card issuing bank.

NBD is considered "well capitalized", as defined by Section 131 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA) of 1991. There are no financial conditions, legal constraints, or other conditions that would hinder the bank's ability to help meet the credit needs of its assessment area. NBD's CRA performance was last evaluated in June 1995 and was rated Satisfactory.

DESCRIPTION OF ASSESSMENT AREA

NBD's assessment area (AA) is the Block Numbering Area (BNA)¹ 9653 in Tucker County, West Virginia. This area covers approximately 40% of the physical area of Tucker County and includes 32% of the population. Tucker County, located in the Potomac Highlands, is sparsely populated reporting only 7,728 inhabitants. BNA 9653 population is reported at 2,474. The Monongahela National Forest covers most of the land area of the county and two major state parks are located in the BNA.

Parsons, the largest city in the county, as well as the county seat, is located 16 miles

¹A BNA is a non metropolitan area defined by the Bureau of the Census for information gathering purposes.

from NBD. Backbone Mountain is a geographical barrier which inhibits travel between Parsons and the bank. Travel during the winter months is particularly difficult. The main office is located in Davis, a town of approximately 800. The only branch is located in a non-incorporated area of the county known as Canaan Valley. Tucker County's mountainous terrain lends itself to the tourism industry of skiing, summer recreation, and second homes.

The bank's AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. The AA includes only one block numbering area and the U.S. Bureau of Census has designated it as middle-income.

The 1996 statewide nonmetropolitan median family income² for West Virginia, as determined by the U.S. Department of Housing and Urban Development (HUD), was \$26,600. The 1997 estimated statewide non-metropolitan median family income is \$27,600. The income levels of the families living in BNA 9653 are: 19% low-income; 22% moderate-income; 39% middle-income; and, 40% upper-income.

Sixteen percent of the people in the AA are over the age of 65. Thirty-seven percent of the households in the AA receive social security income while 7% receive some other type of public assistance. In addition, 16% of the households are considered to be below the poverty level.

The AA's economy is stagnant and loan demand is considered moderate to low. The September, 1997 unemployment rate for Tucker County was 8.8% while the West Virginia state average was 5.5%. The unemployment rate tends to fluctuate throughout the year, reflecting the seasonality of the tourism portion of the county's economy. A loss of mining jobs has created a steady increase in the unemployment rate.

Based on 1996 West Virginia Employment and Wages information, 29% of the population is employed in the service industry and 22% by a Government agency. Industries within the area include light manufacturing; logging; and recreation/tourism related retail trades and services. Major employers include the Tucker County Board of Education and companies promoting tourism (mainly skiing related activities which operate on a seasonal basis).

²The term median family income describes the median income earned by people sharing a home that are related by birth, marriage, or adoption.

While not located in BNA 9653, there are four other financial institutions in the vicinity to help meet local banking needs. These institutions are considerably larger than NBD.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

◆ Loan to Deposit Ratio

NBD's loan to deposit ratio is reasonable. During the nine quarters since the last CRA examination, NBD's loan to deposit ratio averaged 59.5%. Although NBD's level of lending, based on its ratio of loans to deposits, is slightly below that of national peer banks of similar size, the reasonableness of the bank's lending is substantiated by its high number of low-dollar consumer loans and moderate to low loan demand. A sample of 20 recently originated consumer loans revealed loans ranging from \$200 to \$5,000, with an average loan amount of \$1,578.

◆ Lending in the Assessment Area

A substantial majority of the bank's lending activity is within the AA. In order to determine this, we analyzed a sample of NBD's loan portfolio. This sample consisted of 14 real estate loans originated between June 1, 1995 and September 30, 1997. This sample is representative of the bank's overall lending performance in addressing the housing needs within their AA. The table below illustrates the bank's lending in the AA:

REAL ESTATE MORTGAGE LOANS

	Number of Loans Originated	Percent of Number of Loans Originated	Dollar Amount of Loans Originated	Percent of Dollar Amount of Loans Originated
Inside AA	11	78.6%	\$642,000	89.4%
Outside AA	3	21.4%	\$76,000	10.6%
TOTALS	14	100%	\$718,000	100%

◆ **Lending to Borrowers of Different Incomes and to Businesses of Different Sizes**

NBD lends to borrowers of different income levels. We determined this by reviewing the same sample of real estate loans. The following tables illustrate NBD's lending to individuals of different income levels, based on this sample of loans:

REAL ESTATE MORTGAGE LOANS WITHIN THE ASSESSMENT AREA BY BORROWER INCOME LEVEL

Income Level	Families in the AA	Number of Loans	Percent by # of Loans	Amount of Loans	Percent by \$ Amount
Low	19.1%	0	0%	0	0%
Moderate	21.9%	2	18.1%	\$50,000	7.5%
Middle	19.5%	6	60.5%	\$213,000	39.7%
Upper	39.5%	3	21.4%	\$379,000	52.8%
Total	100%	11	100%	\$642,000	100%

Although no loans to low-income borrowers appeared in the sample, the bank did make within the same time period, three real estate loans to borrowers having income as defined by the CRA as low-income.

NBD's level of lending to businesses of different sizes is reasonable and is consistent with the number of small businesses located in the AA. Ninety-five percent of the businesses in the AA have 49 or fewer employees. Sixty-nine percent of the commercial loans originated since the last CRA examination were made to businesses located within the AA. By using the size of the loans extended to businesses as an indicator of business size, we found that all of the commercial loans originated between June 1995 and September 1997 were for amounts less than \$1,000,000. In addition, 79% of these loans made in the AA were for amounts less than \$50,000.

◆ **Geographic Distribution of Loans**

NBD's geographic distribution of loans reflects a reasonable dispersion throughout the AA. This determination is based on our sample of real estate loans. We found that loan originations tend to be concentrated in the town of Davis closest to the bank's main office. The bank's lending pattern does not exhibit any conspicuous, unexplainable gaps.

◆ **Response to Complaints**

NBD has received no CRA related complaints since its prior CRA evaluation in June 1995.

◆ **Compliance with Antidiscrimination Laws and Regulations**

A fair lending examination was performed in conjunction with our CRA evaluation. This fair lending examination consisted of a comparative file analysis of consumer loans made for the purpose of purchasing a vehicle, and secured by the vehicle. We identified no violations of the substantive provisions of antidiscrimination laws and regulations.