
PUBLIC DISCLOSURE

February 18, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Romney
Charter # 9766**

**75 Rosemary Lane
Post Office Box 1037
Romney, West Virginia 26757**

**Office of the Comptroller of the Currency
Richmond Duty Station
10800 Midlothian Turnpike, Suite 150
Richmond, Virginia 23235**

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 **First National Bank of Romney** by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **February 18, 1997**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

First National Bank of Romney (First National) continues to meet the spirit and intent of the CRA through its efforts to meet the credit, service, and development needs of the community. The bank extends a substantial majority of its loans within its Hampshire County assessment area. The institutions' loan-to-deposit ratio is reasonable even though it is lower than similarly situated banks operating in its assessment area. Also, lending among borrowers of different incomes and businesses of different sizes is good.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>First National Bank of Romney</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	Not applicable since the assessment area consists of only middle income Block Numbering Areas (BNAs).		
Response to Complaints	There has been no CRA complaints since the last CRA examination.		

DESCRIPTION OF INSTITUTION

First National Bank of Romney (First National) is a \$78 million full service independent community bank headquartered in Romney, West Virginia. The bank is the only affiliate of Eastern Bankshares, Inc. In addition to its main office, First National operates one other in-town branch and an office in Capon Bridge, twenty-six miles to the east. Competition within the assessment area is intense with three independent banks and a branch of a large out-of-state bank affiliate. Even though some of these institutions do not maintain a physical branch presence in Hampshire County, loan and deposit penetration among these banks is significant. A state chartered financial institution headquartered in nearby Hardy County is the only similarly situated bank to First National with \$77 million in assets and two offices. The majority of First National's earning assets are in loans, at 59% followed by investment securities at 35%. The bank's \$46 million loan portfolio is centered primarily in residential real estate at 70% with the remainder almost equally divided between consumer and commercial loans.

First National's strategic focus is on a continuation of deliberate loan growth in the consumer, small business, and tourism sectors. A substantial majority of the loans extended by the bank are to consumers and small businesses/farms located in its assessment area. There are no significant impediments that would hinder First National's ability to meet the credit needs of the community.

DESCRIPTION OF ASSESSMENT AREA

First National Bank of Romney has designated Hampshire County as its assessment area. This eastern panhandle county is one of several counties that comprise the area known as the Potomac Highlands Region. Hampshire County is divided into five block numbering areas (BNAs) as detailed below. The bank's assessment area meets the requirements of the Community Reinvestment Act as no areas have been arbitrarily excluded.

Block Numbering Area	Municipalities and Unincorporated Postal Zones
9682	Paw Paw, Green Spring, Three Churches, Slanesville
9683	Augusta
9684	Purgitsville, Junction, Springfield
9685	Kirby, [Romney], Augusta, Shanks
9686	Rio, [Capon Bridge], Yellow Springs, Delray

[] = Municipalities

Hampshire County is very rural but has benefited from above average population growth in West Virginia, particularly within the eastern panhandle. Its close proximity to Winchester, Virginia also contributes to the employment base as many residents commute this 50-mile

distance on a daily basis. The area is within a 2-hours drive to the nation's capital, Washington, D.C. The total population is approximately 17 thousand people, 2% of which represent racial minorities. Of the 6,230 households in the assessment area, 37% are low to moderate income, and 63% represent middle to upper income households. Nearly 19% of these households are below the poverty level. The 1996 Housing and Urban Development (HUD) updated median family income of all non-metropolitan statistical areas is \$26,600. The area's housing stock is 56% owner occupied and consists primarily of 1-4 family units, second only to mobile home and trailer housing at 21%. Nearly 29% of the County's housing stock is vacant. Contributing to the area's lower level of owner occupied units is a growing tourism and retirement industry. This has resulted in increasing demand for residential lot sales for second homes by out-of-area borrowers. The median housing value is around \$51 thousand.

The Town of Romney is the county seat for Hampshire County. The areas of highest growth continues to be east of Romney in the Capon Bridge and Augusta areas. The County enjoys a lower than average unemployment rate (2% - 3% compared to 6% for the State) due in part to its closeness to Winchester, Virginia and manufacturing/processing facilities in nearby Hardy County. There is limited industry in Hampshire County with the Department of Education and area financial institutions providing most employment opportunities.

We contacted organizations in the assessment area familiar with housing, community development, and service needs of the community. These organizations highlighted the need for more infrastructure development, affordable housing opportunities, and enhanced public/private promotion of tourism within the business community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan-to-Deposit Ratio

- ▶ **First National Bank of Romney's lending levels reflect adequate responsiveness to assessment area credit needs. The average loan-to-deposit ratio, at 67%, is reasonable though lower than similarly situated independent banks operating in the assessment area. The ratio is also slightly below the 69% average of other similar banks in the State of West Virginia.**

First National's loan-to-deposit ratio has increased from 65% at the last CRA examination in December 1994 to nearly 68% through December 1996. Since year-end 1994, the bank's quarterly loan-to-deposit ratio has remained virtually stable within a range from 65% - 67%.

Lending in the Assessment Area

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- ▶ **First National Bank of Romney extends a substantial majority of its loans within its Hampshire County assessment area.**

According to internal management reports for all loan types by dollar volume, extensions made within the assessment area total 79% as detailed below:

Loans Made Within the Assessment Area By Loan Type						
Instalment	Commercial	Student Loans	Home Equity	Indirect Dealer	Real Estate	Total Loans
82%	78%	18%	78%	44%	81%	79%

Lending to borrowers of different incomes and to businesses of different sizes.

- ▶ **First National Bank of Romney’s lending penetration to borrowers of different income levels and to small commercial businesses entrepreneurs is good.**

A sample of 91 consumer and mortgage loans made since the last CRA examination show reasonable penetration among low and moderate income borrowers. These borrowers represent 37% of all families who live in Hampshire County. Middle and upper income families represent 17% and 46% respectively within the County. As the table on page 6 indicates, the percentage of the total number of loans to families in the low and moderate income ranges is roughly proportional to the percentage of families in the assessment area. It is also important to note that First National routinely extends small loans in amounts starting at \$500. These small loan amounts are considered to be very important sources of credit for low income families in Hampshire County.

Sample of Consumer and Mortgage Loans Granted in 1995 and 1996					
Income Levels*	Number	% of Total Number	\$000's	% of Total Dollars	% Number of Households in the Community
Low \$13,300 or less	25	27	113	13	22
Moderate \$13,301-\$21,280	12	13	81	10	15
Middle \$21,281-\$31,920	26	29	263	31	17
Upper More than \$31,920	28	31	385	46	46
Total	91	100	842	100	100

*** 1996 updated median income of all non-metropolitan statistical areas = \$26,600.**

Management has also developed a working relationship with a local nonprofit agency whose mission is to eliminate the causes and effects of poverty in the assessment area. This includes making housing more affordable to low and moderate income borrowers. Through the Eastern West Virginia Community Action Agency, First National financed construction of several low income housing units. The bank has also provided lines of credit to the Agency which have been used for additional housing construction. The bank also works closely with the Hampshire County Development Authority in bringing businesses and infrastructure improvements to the County. First National has also been instrumental in reviving area tourism through its direct financial support for the Potomac Eagle Excursion Train.

First National made 407 commercial loans in 1996, up from 136 in 1995. These commercial loans totaled \$3.1 million and \$1.4 million respectively during this period. Of the 15 commercial loans reviewed as part of our sample, all were to small businesses and entrepreneurs with revenues less than \$1 million. This is consistent with First National's lending capacity and the size of commercial activity within its assessment area. Internal management reports show that a substantial majority of all commercial loans are to entrepreneurs and small businesses with revenues less than \$1 million.

Geographic Distribution of Loans

Since all the BNAs in the assessment area are middle income, an analysis of the geographic distribution of loans was not conducted.

Response to Complaints

Since there have been no CRA complaints filed since the last examination, this performance factor could not be evaluated.

Compliance with Antidiscrimination Laws

- ▶ **First National Bank of Romney is in substantial compliance with antidiscrimination laws and regulations, including fair lending and fair housing laws.**

OCC's fair lending review did not reveal any violations of the substantive provisions of antidiscrimination laws and regulations.