



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

October 22, 2012

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First Federal Savings & Loan Association of Ravenswood  
Charter Number 703542

712 Washington Street  
Ravenswood, West Virginia 26164

Office of the Comptroller of the Currency  
Virginias Field Office  
4419 Pheasant Ridge Road  
Suite 300  
Roanoke, Virginia 24014

**NOTE:** This document is an evaluation of this 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. 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.

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

The First Federal Savings and Loan Association (hereinafter referred to as **First**) maintains a satisfactory record of helping to meet the credit needs of its assessment area (AA) in a manner consistent with its resources and capabilities. The following is a summary of the evaluation findings:

- The institution's average loan-to-deposit (LTD) ratio is more than reasonable given the institution's size, financial condition, and credit needs.
- A majority of the loans originated during the evaluation period were inside the institution's assessment area (AA).
- The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among individuals of different income levels.
- No public complaints related to Community Reinvestment Act (CRA) have been filed since the last CRA examination.

## **SCOPE OF EXAMINATION**

This Performance Evaluation assesses the institution's performance under the Lending tests for Small Banks. The lending test evaluates the institution's record of meeting the credit needs of its AA through its lending activities.

The evaluation period under the lending test covers the institution's performance from January 1, 2009 through December 31, 2011, as this is representative of its lending strategy since the last CRA examination.

**First** does not have a home or branch office in a Metropolitan Statistical Area (MSA). As a result, the institution is exempt from the data reporting requirements of the Home Mortgage Disclosure Act (HMDA). We used the bank's loan reports listing loan originations for the evaluation period to determine that the primary loan product is home mortgage loans. We reviewed a sample of 23 residential mortgage loans originated during the evaluation period. We selected this sample using the numerical sampling process from bank reports listing loans originated during the evaluation period.

## **DESCRIPTION OF INSTITUTION**

**First**, established in January 1, 1934, is a federally chartered mutual savings association headquartered in Ravenswood, Jackson County, West Virginia. The main office is located in a middle-income census tract. The institution has no branch offices. Hours of service are 8:00 a.m. to 4:00 p.m. Monday through Friday, except for Thursday when the institution is open from 8:00 a.m. to 6:00 p.m.

Deposit services provided are passbook savings and certificates of deposit. Due to the small size and limited staff, the institution does not carry cash and therefore does not cash checks or offer checking accounts. **First's** primary focus is on mortgage lending. The institution offers conventional fixed rate loans for the purchase and refinance of

one-to-four family and multi-family dwellings, as well as second deed of trust home equity loans and loans on unimproved land. The institution offers loans on deposits, but no other consumer loans and commercial loans are available. While home improvement loans are not offered, funds obtained from refinance and equity loans are used for that purpose.

**First** saw their loan portfolio grow by \$3.7 million since September 30, 2007, primarily as a result of an increase in residential mortgage loans. The institution's loan growth is limited due to its location in a small town and the surrounding numerous rural towns and farmland. The institution continues to adhere to a business strategy to operate as a small community financial institution that provides a personal banking relationship to its customers.

As of June 30, 2012, Tier One Capital was approximately \$1.4 million, Tier One Risk-Based Capital to Risk-Weighted Assets equaled 21.6 percent, and Tier One Leverage Capital equaled 10.3 percent. **First's** net loans totaled \$9.3 million, or approximately 70 percent of total assets

of \$13.3 million, and total deposits were \$11.8 million, or 88.1 percent of total assets. **Table 1** depicts the loan portfolio by loan product as of June 30, 2012.

Table 1: 2011 Balance Sheet Asset Categories as of Review Period Date*		
TYPE OF LOAN	Balance Outstanding (\$000s)	% OF TOTAL LOANS
1-4 Family Residential	7,943	84.97%
Non-Farm/Non-Residential	840	8.99%
Multi-family Residential	443	4.74%
Construction & Land Development	115	1.23%
Loans to Individuals	7	0.07%
Commercial & Industrial	0	0.00%
Other	0	0.00%
<b>Total</b>	<b>\$9,348</b>	<b>100.00%</b>

\*Schedule RC-C Part 1 - Loans and Leases as reported in the Consolidated Reports of Condition and Income as of June 30, 2012.

From a review of the FDIC Summary of Deposits Report as of June 30, 2012, **First** holds 2.7 percent of the deposit market share in the AA, ranking sixth out of six institutions. The leading competitors in this market are United Bank with a 30.4 percent market share and Branch Banking and Trust Company (BB&T) with a 23.8 percent market share. Other competitor's market shares are City National Bank of West Virginia with 16.3 percent, Premier Bank, Inc. with 13.5 percent, and Wesbanco, Inc., with 13.3 percent.

There are no legal, financial or other factors impeding the institution's ability to help meet the credit needs in its AAs. **First** received a "Satisfactory" rating on its December 6, 2007 CRA Performance Evaluation performed by the Office of Thrift Supervision.

## DESCRIPTION OF ASSESSMENT AREA(S)

<b>TABLE 2**: Demographic Information for Full Scope Area: Jackson County WV Non-MSA AA</b>					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts/BNAs)	6	0.00	0.00	66.67	33.33
Population by Geography	28,000	0.00	0.00	77.01	22.99
Owner-Occupied Housing by Geography	8,799	0.00	0.00	76.34	23.66
Business by Geography		0.00	0.00	82.90	17.10
Farms by Geography		0.00	0.00	83.91	16.09
Family Distribution by Income Level	8,222	16.27	15.14	20.51	48.08
Distribution of Low and Moderate Income Families throughout AA Geographies	2,583	0.00	0.00	79.71	20.29
Median Family Income		\$ 37,965	Median Housing Value		\$ 72,793
HUD Adjusted Median Family Income for 2011		\$ 44,800	Unemployment Rate (2000 US Census)		3.27%
Total Households		11,028			
Households Below Poverty Level		15.34%			

\*\*Source: 2000 U.S. Census and 2011 HUD updated Median Family Income

The Jackson County West Virginia (Jackson County) assessment area consists of four middle-income tracts, and two upper-income tracts. There are no low- or moderate-income tracts and no designated distressed or underserved middle income tracts in this assessment area. This AA meets the requirements of the regulation and does not arbitrarily exclude any low-or moderate-income areas.

Demographic data for the AA from the 2000 United States Bureau of the Census reports, as presented in **Table 2**, indicates the institution's AA comprises 11,028 households and 8,222 families. Of the total households within the assessment area, 15.34 percent (1,692) are below the poverty level, which is slightly above the national average of 15.00 percent for 2011. (Source: U. S. Census Bureau)

The Jackson County non-MSA AA is located along the banks of the Ohio River within the Appalachian Plateau region. According to WorkForce West Virginia Research, Information and Analysis (a division of the West Virginia Department of Commerce) dated June 2012, manufacturing was the largest of 20 major sectors with 16.74 percent of all jobs in Jackson County for the Year 2011. Retail trade was second with 15.11 percent, local government was third with 14.98 percent, and the education and health services sector was fourth with 14.55 percent. WorkForce West Virginia reported that the top five employers in Jackson County were Alcan Rolled Products LLC, Jackson

County Board of Education, Wal-Mart Stores, Inc., Community Health Association (Jackson General Hospital), and Jackson County Commission.

Ravenswood is the largest city within the AA, with a population of 4,031 according to the 2000 U.S. Census. Ravenswood is centrally located between the three major metropolitan areas of West Virginia; the cities of Charleston, Huntington, and Parkersburg. The city is located one and one half miles from Interstate 77 on U.S. 33 West, a modern four-lane highway. In addition to the modern highway system, other transportation options include rail, air (the Jackson County airport is located 10 miles south of town) and water transportation. Ravenswood is located in the heart of the Jackson County Inland District Port Authority, the only working port authority in West Virginia.

Ripley is second in population for Jackson County with 3,263 people according to the 2000 U.S. Census. Ripley, the county seat of government, is located along Mill Creek, approximately 12 miles south of Ravenswood, West Virginia. Retail trade is the most common industry in Ripley with Wal-Mart Stores, Inc. being the largest employer in this type of industry.

The unemployment rates for the AA were updated, using Bureau of Labor Statistics data, to reflect current economic conditions. As of June 30, 2012, the unemployment rate for Jackson County, West Virginia was 8.9 percent, which was above the average for the State of West Virginia of 7.0 percent and above the national average of 8.2 percent. (Source: Bureau of Labor Statistics)

We conducted one community contact to determine credit and development needs in the AA. The organization's purpose is to oversee business attraction and development efforts and is a tool for existing Jackson County businesses to use in their retention and expansion efforts. Based on our contact and review of information available on the internet, there are opportunities for local financial institutions to support community development and credit needs in the area.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

The performance under the Lending Test is considered "Satisfactory." The institution's loan-to-deposit ratio is more than reasonable, and a majority of loans are originated inside the assessment area. The institution's borrower distribution reflects reasonable penetration among borrowers of different incomes.

### ***LOAN-TO-DEPOSIT RATIO***

***First's*** quarterly average net loan-to-deposit (LTD) ratio is more than reasonable given the institution's size, financial condition, and credit needs of the AA. The institution's LTD ratio meets the standards for outstanding performance. The quarterly average net LTD ratio for the institution for the nineteen consecutive quarters since the last CRA

examination is 90.9 percent. This is above the 83.8 percent average loan-to-deposit ratio for larger banks within the institution's market area during the same time period. **First's** quarterly average LTD ratios ranged from a low of 76.2 percent in third quarter 2010 to a high of 102.1 percent in third quarter 2009.

**First's** quarterly average net LTD ratio compares favorably with other West Virginia institutions that are considered competitors. Two competitor financial institutions had quarterly average net loan-to-deposit ratios above that of **First** – United Bank at 96.6 percent and BB&T at 92.9 percent for the same 19 quarters. These two institutions are large community banks with assets approximating \$5 billion and have more deposits available for funding loans. The ratios for the five competitors ranged from a quarterly low of 47 percent in the first quarter 2011 to a quarterly high of 110.6 percent in the fourth quarter 2007.

### **LENDING IN ASSESSMENT AREA**

The analysis in **Table 3** shows the institution's lending inside and outside the AA. Lending in the AA is considered reasonable with a majority of loans originated inside the AA. Cumulatively, a high percentage of home mortgage loans, 87 percent by number and 67 percent by dollar volume, were extended inside the institution's AAs. The distribution of loans inside the AAs indicates that the institution is serving the credit needs of its AA.

<b>Table 3: Lending in the Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans (\$000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	\$	%	\$	%	\$
Home Purchase	7	100.00	0	0.00	7	478	100.00	0	0.00	478
Home Refinance	13	81.25	3	18.75	16	1,377	60.63	894	39.37	2,271
Home Improvement	0	0.00	0	0.00	0	0	0.00	0	0.00	0
Totals	20	86.96	3	13.04	23	1,855	67.48	894	32.52	2,749

Source: First Federal Savings and Loan Association loan report listing loan originations from January 1, 2009 - December 31, 2011

### **LENDING TO BORROWERS OF DIFFERENT INCOMES**

A review of lending within the AA based on the income level of the borrower disclosed that **First's** distribution of lending among borrowers of different income levels was reasonable. The loan sample for this section of the evaluation included all sixty residential mortgage loans originated during the evaluation period. **Table 4** below illustrates the distribution of lending to borrowers of different incomes based on our sample.

Table 4: Borrower Distribution of Residential Real Estate in the Assessment Area								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential Mortgage	16.27	1.67	15.14	10.00	20.51	21.67	48.08	61.67

Demographic information is based on the 2000 U.S. Census data

The bank has poor penetration of residential real estate loans to individuals of low-income levels and reasonable penetration to moderate-income borrowers. This level of residential mortgage lending to borrowers of different income levels is reasonable considering the demographic context in which the institution operates. While there are no low or moderate geographies in the assessment area, **Table 4** shows that 31.4percent of the families are in low- or moderate-income levels.

Opportunities to lend to low- and moderate-income borrowers within the assessment area were limited due to the competition among the banking institutions within the assessment area, and institution's market share within its assessment area.

**First's** ability to extend residential mortgage loans to low- and moderate-income borrowers is hampered by AA demographics. Specifically, of the households in the bank's AA, 15.3 percent of the AA population is age 65 or older and 24.4 percent of AA households are comprised of retired residents. In addition, 34.7 percent of area households derive income from social security and 15.3 percent are considered to be at or below poverty level.

Low credit demand is also being impacted by the level of creditworthy applicants, the lack of demand and the lack of turnover of houses. The 2000 U.S. Census data reports that owner-occupied housing represents 71.9 percent of housing, the median housing value equals \$72,793 and the median year built for AA housing is 1975. Limited residential mortgage loan demand from low- or moderate-income families can be attributed to many low-income families consisting of more senior, long time residents who have already owned and occupied residences in the area for many years.

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

An analysis of the distribution of loans by income level of the geography is not meaningful because there are no low- or moderate-income geographies in the AA.

***RESPONSES TO COMPLAINTS***

***First*** did not receive any complaints regarding its CRA performance during this review period. This has a neutral impact on the overall CRA rating.

**Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.