

Small Bank
Performance Evaluation

Public Disclosure

November 16, 1999

**Community Reinvestment Act
Performance Evaluation**

**Mountain Valley Bank, N.A.
Charter Number 9610
317 Davis Avenue
Elkins, West Virginia 26241**

**Office of the Comptroller of the Currency
Administrator of National Banks
West Virginia Field Office
100 Capitol Street
Security Building - Suite 400
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.
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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 Mountain Valley Bank, N.A. prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of November 16, 1999. 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**.

Mountain Valley Bank, N.A. has met or exceeded the standards for satisfactory performance for each of the following assessment criteria:

- loan to deposit ratio,
- lending within the assessment area, and,
- lending to borrowers of different incomes and to businesses of different sizes.

This evaluation is based on information collected since the last CRA evaluation dated March 31, 1996.

General Information (continued)

The following table indicates the performance level of Mountain Valley Bank, N.A. with respect to each of the five performance criteria.

Small Institution Assessment Criteria	Mountain Valley Bank, N.A. 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	Not applicable since the AA consists of only middle-income BNA's		
Response to complaints	The bank has not received any CRA-related complaints since the last examination.		

Description of Mountain Valley Bank, N.A. (MVB)

MVB is a \$78 million community bank located in Elkins, West Virginia. MVB is a wholly owned subsidiary of Mountain Valley Bancshares, a one-bank holding company. The bank has three branches located in Parsons, Chenoweth Creek, and Mill Creek, West Virginia. The bank has automated teller machines (ATMs) at the Parsons and Chenoweth Creek locations.

MVB's loans represent 53% of assets as of September 30, 1999. The loan portfolio, by dollar volume, is comprised of 58% residential real estate loans, 32% commercial loans, and 10% consumer loans. There are no financial, legal, or other constraints that would impair the bank's ability to help meet the credit needs of the Randolph/Tucker County Assessment Area.

General Information (continued)

Description of the Randolph/Tucker County Assessment Area (AA)

MVB's AA consists of Randolph and Tucker counties in their entirety. The AA includes ten Census Bureau block numbering areas (BNAs)¹ all of which are defined as middle-income areas. The bank's AA complies with the Community Reinvestment Act (CRA) regulation in that no geographic area within Randolph and Tucker counties is excluded.

The 1998 HUD estimated non-metro family income² for West Virginia is \$28,200. The AA population's breakdown into CRA defined income levels is as follows: low-income (up to \$14,100) households equal 24%, moderate-income (\$14,101 to \$22,560) households equal 17%, middle-income (\$22,561 to \$33,840) households equal 20%, and upper-income (\$33,841 and over) households equal 39%. The West Virginia Bureau of Economic Analysis lists the total population of the AA at 36,694 at year-end 1996. Census Bureau data for 1990 indicates that 10% of households in the AA receive public assistance.

The largest industries in the AA, based on the number of employees, are services, state and local government, durable goods manufacturing, and construction. The AA's economy is stable and loan demand is moderate. The unemployment rate in the AA is 6.13% as of August, 1999, according to the West Virginia Bureau of Employment Programs. This represents a decline compared to the August, 1998 unemployment rate of 8.17%.

The banking environment in the AA is competitive. There are 6 community banks, including MVB, in the AA, a branch of a community bank located outside the AA, and a branch of a regional bank.

Community contacts were used to more fully understand the business, economic, and employment environment in the AA. We performed one community contact in the Elkins area during this examination. For Tucker county, we used one prior community contact performed by our Office, and two performed by the Federal Deposit Insurance Corporation. The contacts included local government officials, local business owners, and leaders of community service organizations.

The community contacts revealed the need for automobile loans. MVB offers competitive rates and terms for both new and used automobile loans.

1 The Bureau of Census defines a block numbering area (BNA) as a statistical subdivision of counties in which census tracts have not been established.

2 The term non-metro family income describes the statewide average income earned by people sharing a home that are related by birth, marriage, or adoption, and reside in a non-metropolitan area.

Conclusions with Respect to Performance Criteria

Loan to Deposit Ratio

The bank's loan to deposit ratio is reasonable. To assess this performance factor, the bank's loan to deposit ratio was reviewed. The ratio has remained relatively stable since the last CRA examination at 61%. The average loan to deposit ratio for banks with their headquarters in the AA is 61.5% for June 1999.

Lending in the Assessment Area

The overwhelming majority of the bank's lending activity takes place within the AA. To assess this performance factor, real estate secured, commercial, and installment loans originated between January 1 and September 30, 1999 were used. The number and dollar volume of each category was separated into loans inside and outside the AA. The review of the loan categories indicates that more than 95% (by dollar volume) of all loans originated in the first three quarters of 1999 are inside the bank's AA. The findings are summarized below:

Assessment Area	Real Estate Loans	%	Commercial Loans	%	Installment Loans	%
Inside (dollars)	\$5,194,000	94	\$4,751,000	99	\$2,369,000	93
(number)	124	93	198	99	847	93
Outside (dollars)	\$324,000	6	\$69,000	1	\$190,000	7
(number)	10	7	4	1	64	7
Total (dollars)	\$5,518,000	100	\$4,820,000	100	\$2,559,000	100
Total (number)	134	100	202	100	911	100

Conclusions with Respect to Performance Criteria (continued)

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

MVB's lending to borrowers of different income levels is reasonable. This assessment was made by reviewing all 1st mortgage real estate loans originated between January 1 and September 30, 1999. A total of thirty loans were reviewed. Housing in the AA primarily consists of older, small homes in the \$30 -\$40,000 range and updated or newer homes in the \$90 -\$120,000 range. The percent of households below the poverty level is 20.6% (2,754 of 13,351 households), according to 1990 census data. Households with income below the poverty level generally do not have the ability to purchase and maintain a home. This helps to explain why only 13% of home purchase loans were made to low income households that make up 23.9% of the AA's population. Of the low-income households, only 3.3% are above the poverty level. Therefore, our sample indicates that the bank originates real estate loans to customers below the poverty level. The following table illustrates the findings:

	Home Purchase Loans by Income Level	
Income Level	Percent of Total Population	Percent of Home Purchase Loans
Low	24%	13%
Moderate	17%	13%
Middle	20%	44%
Upper	39%	30%

The bank's level of lending to businesses of different sizes is good. Lending patterns are consistent with the number of small businesses in the AA. This assessment was made by reviewing all commercial loans originated in the first three quarters of 1999, and using the size of the loan as an indicator of business size. The review indicated that 99% of commercial loans originated were for amounts less than \$100,000. The dollar amount for all commercial loans originated ranged from \$350 to \$1,192,000.

Geographic Distribution

As previously mentioned, there are no low- or moderate-income geographies in the AA. Therefore, an analysis of the geographic distribution of loans would not provide meaningful results.

Conclusions with Respect to Performance Criteria (continued)

Responses to Complaints

MVB has not received any CRA-related complaints since the previous examination.

Compliance with Anti-discrimination Laws and Regulations

A fair lending examination was performed in conjunction with the CRA evaluation. The purpose of this examination was to determine if any disparate treatment to any prohibited basis group had occurred. The fair lending examination focused on rates, terms, and fees of all 1st mortgage real estate loans originated from January 1 to September 30, 1999. No violations of the substantive provisions of anti-discrimination laws and regulations were found.