



## **PUBLIC DISCLOSURE**

April 1, 2019

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

Martinsville First Savings Bank  
**Charter Number 703881**

25 West Church Street  
Martinsville, Virginia 24112-6217

Office of the Comptroller of the Currency

Roanoke 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.

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## **Overall CRA Rating: Outstanding**

Martinsville First Savings Bank (hereinafter referred to as MFSB) has a strong record of meeting the credit needs of its assessment area (AA) in a manner consistent with its resources and capabilities. The major factors supporting this rating include:

- MFSB's quarterly average loan-to-deposit (LTD) ratio is reasonable based on the bank's size, financial condition, credit needs of the community served, and competition in its market.
- MFSB makes a substantial majority of its loans within its AA.
- Given the demographics of the AA, the distribution of loans based on both borrower and geographic distribution is excellent.

## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

The Office of the Comptroller of the Currency (OCC) evaluated lending activities of MFSB using the small bank Community Reinvestment Act (CRA) procedures.

The Lending Test covers the bank's lending performance from January 1, 2016 to December 31, 2018. For 2017, the Office of Management and Budget changed the 2010 U.S. Census data. The changes resulted in differences to the MSA/MD, tract, and income designations. We incorporated Census changes into sampling for the bank's Lending Test. We determined this timeframe is representative of MFSB's lending strategy since the previous CRA Performance Evaluation.

We selected home mortgage loans as the primary loan product based on the distribution of total loans originated during the evaluation period and discussions with bank management. We based our analysis on the sample of home mortgage loans originated during the evaluation period using the judgmental sampling guidelines.

The Lending Test analysis is based on the bank's performance during the evaluation period using comparative demographic data from the 2010 U.S. Census.

## Description of Institution

MFSB is a federally chartered mutual savings association headquartered in Martinsville, Virginia. The bank is located at 25 West Church Street, Martinsville, Virginia, and offers regular business hours Monday through Friday. MFSB operates as a traditional savings association, serving its community through its one location, which contains a drive-thru. The bank does not provide Automated Teller Machine services. No branches were opened or closed during the evaluation period.

MFSB offers a limited variety of deposit and loan products to meet consumer and commercial banking needs. Its primary credit product is home mortgages. Deposit products are limited to passbook savings accounts, money market deposit accounts, certificates of deposit, and individual retirement accounts. The bank's information-only Internet website, [www.martinsvillefirst.com](http://www.martinsvillefirst.com), provides details on products and services offered to both consumers and businesses. The bank does not offer any online banking activities.

Competition for loans and deposits comes from local community banks and larger regional and national institutions. The bank's primary competitors are SunTrust Bank; Branch Banking and Trust (BB&T); American National Bank and Trust Company; Wells Fargo Bank, National Association; Blue Ridge Bank, National Association; and Carter Bank and Trust.

There are no legal or financial impediments to the bank's ability to help meet the credit needs of its AA. The bank received an Outstanding CRA rating at its last CRA Performance Evaluation (PE), dated January 27, 2014.

As of December 31, 2018, MFSB's total assets were \$39.6 million and Tier One Capital of \$6.6 million. The bank's loan portfolio of approximately \$21.7 million in gross loans represents 55 percent of total assets. The table below depicts the loan portfolio by product categories.

Distribution of Loan Portfolio*		
TYPE OF LOAN:	Balance Outstanding (\$000s)	% OF TOTAL LOANS
Residential Mortgage Loans	\$20,469	94.22
Commercial Real Estate	985	4.53
Loans to Individuals	205	0.94
Residential Construction	66	0.30
<b>Total</b>	<b>\$21,725</b>	<b>100.00</b>

\*Data obtained from "Consolidated Reports of Condition and Income for A Bank with Domestic Offices Only and Total Assets Less than \$1 Billion - FFIEC 051" as of December 31, 2018

## Description of Assessment Area(s)

The bank's primary market is the City of Martinsville, and Henry County, Virginia. The City of Martinsville is considered a separate political subdivision, located within Henry County. The AA includes the geography of the institution's sole office. Demographic data for the AA is displayed below.

Demographic Information for Full Scope Area: Henry County and City of Martinsville, Virginia non MSA-AA*					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (CTs/BNAs)	19	0	47.37	47.37	5.26
Population by Geography	66,204	0	10.13	86.46	3.41
Owner-Occupied Housing by Geography	19,807	0	42.64	51.85	5.52
Business by Geography	3,591	0	34.60	61.80	3.60
Farms by Geography	109	0	35.80	57.80	6.40
Family Distribution by Income Level	18,141	25.97	19.62	23.08	31.33
Distribution of Low and Moderate Income Families throughout AA Geographies	28,272	28.40	19.00	17.80	24.80
Median Family Income (MFI)	\$51,375	Median Housing Value			\$94,429
2017 FFIEC Adjusted MFI	\$53,300				
Households Below Poverty Level	18.47%				

\*Source: 2010 U.S. Census; 2017 HUD updated MFI

Martinsville-Henry County is located on the Southern border of Virginia, in the foothills of the Blue Ridge Mountains and covers 385 square miles. Centrally located on the East Coast, this rural community is within a one-day drive of 60 percent of the U.S. population. The bank's AA consists of 19 census tracts (CTs) in Henry County. The vast majority of the population resides in moderate- or middle-income CTs, including the significant low-income population.

The combined Martinsville-Henry County AA contains a population of 66,204, which reflects a 5 percent decline in population since the 2010 US Census. Owner-occupied housing accounts for 74 percent of all housing.

Major industries are centered in services, manufacturing, and retail trade, which account for 44.4 percent, 18.7 percent, and 12.6 percent, respectively, of the employed workforce. Major employers include Eastman Chemical (Plastics Manufacturing), Monogram Food Solutions (Food Processing), and Springs Global U.S., Inc. (Polyester Fiber Manufacturing). Other smaller employers include furniture and textile manufacturers. Within the AA, 56 percent of the population is employed. The Bureau of Labor Statistics notes the unemployment rate for Henry County is 3.3 percent, as compared to the unemployment rates for Virginia and the Nation at 2.8 percent, and 3.9 percent, respectively

## Community Contact

As part of our review, we reached out to several potential community contacts for an assessment of the local market area and to gain perspective regarding the area's community development needs for low- and moderate-income and at risk communities. We reached out to the City of Martinsville's Community Development department for comment but were unable to speak directly with a contact. Based upon our review of their 2017 Strategic Plan, we identified economic development as the area's primary need. Martinsville and surrounding communities have a large pool of available labor, many trained in new skills after textile and furniture manufacturer closings. The city's unique location offers attractive options for transportation and distribution companies. Martinsville is a centrally located community within 40 miles of the new FedEx hub currently under construction in Greensboro, North Carolina.

## Conclusions With Respect To Performance Criteria

MFSB's performance under the lending test is rated Outstanding. Its geographic and borrower distributions reflect excellent dispersion throughout CTs of different income levels. MFSB makes a substantial majority of its loans within its AA.

### LENDING TEST

#### Loan-to-Deposit (LTD) Ratio

MFSB's quarterly average LTD ratio is reasonable in light of its capacity to lend, demographic and economic facts about the AA, and the lending opportunities available in the AA. The LTD ratio meets the standard for satisfactory performance. The bank's quarterly average net LTD ratio for the 21 quarters since the last CRA examination is just over 62 percent. The LTD ratio remained relatively stable during the evaluation period.

Each competitor listed in chart below are in MFSB's market and represent either a regional or a national market presence. MFSB ranked sixth out of eight institutions in the AA as illustrated in the table below.

Institution Name	Average LTD Ratio, Twenty-One Quarters beginning December 31, 2013
Blue Ridge Bank, National Association	102.16%
SunTrust Bank	90.77%
Branch Banking and Trust Company (BB&T)	84.56%
American National Bank and Trust Company	81.01%
Wells Fargo Bank, National Association	69.28%
<b>Martinsville First Savings Bank</b>	<b>62.26%</b>
Carter Bank & Trust	61.94%
The Fidelity Bank	59.80%

**Lending in Assessment Area**

MFSB originated a substantial majority of loans inside its AAs. Based on the residential mortgage loans sampled during the evaluation period, 100 percent of the residential real estate loans were made within the bank’s combined AA.

Lending in Henry County-Martinsville non MSA-AA										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	\$	%	\$	%	\$
Home Mortgage	40	100	0	0	40	\$2,145	100	0	0	\$2,145

Source: Data above is taken from the sample of loans used for the evaluation periods.

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

The distribution of home mortgage loans, given the demographics of the assessment area, reflects excellent distribution among borrowers of different income levels. The OCC used a sample of loans originated during the evaluation period to analyze lending patters. The sample consisted of 20 loans originated in 2016, and 20 loans originated in 2017-2018, using 2010 Census demographic data. The percentage of home mortgage loans made to low-income borrowers exceeds the percentage of low-income families in the AA. The percentage of home mortgage loans made to moderate-income borrowers is significantly higher than the percentage of moderate-income families in the AA. This level of residential mortgage lending to borrowers of different income levels is reasonable.

The average median housing value in this AA was \$94,429. According to U.S. Census, data updated median household income, while the adjusted Median Family Income is \$53,300, while 18 percent of households in the AA are below the poverty level. The 2010 U.S. Census data reports that owner-occupied housing represents 73 percent of housing in Henry County, and 55 percent in the City of Martinsville.

Martinsville FSB’s efforts to extend residential mortgage loans to low- and moderate-income borrowers within its areas resulted in exceeding the distribution of borrowers for each category within its AA as reflected in the table below.

### Borrower Distribution of Residential Real Estate Loans

Martinsville FSB’s record of lending to low- to moderate – income borrower exceeded levels for the corresponding demographic distribution of these borrowers.

Borrower Distribution of Residential Real Estate Loans in the AA*			
CT Income Level **	% of AA Families	% of Number of Loans	Total Loans
Low	25.97	30.00	12
Moderate	19.62	25.00	10
Middle	23.08	7.50	3
Upper	31.33	37.50	15

\*Data Source: Percentages are derived from the sample of loans used for this evaluation

\*\*Data Source: 2015 U.S. Census

### Geographic Distribution of Loans

Henry County AA does not contain any low-income tracts; therefore, an analysis of geographic distribution within that AA would not be meaningful.

Geographic Distribution of Residential Real Estate Loans in the AA*			
CT Income Level **	% of AA Owner Occupied Housing	% of Number of Loans	Total Loans
Low	0	0	0
Moderate	42.64	42.50	17
Middle	51.85	52.50	21
Upper	5.52	5.00	2

\*Data Source: Percentages are derived from the sample of loans used for this evaluation

\*\*Data Source: 2015 U.S. Census

### Responses to Complaints

There were no complaints regarding the bank’s CRA performance during the evaluation period. This has a neutral impact on the overall CRA rating.

### Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c), or 12 CFR 195.28(c), in determining a national bank’s (bank) or Federal savings association’s (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank’s or FSA’s lending performance.

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

## Appendix: Definitions and Common Abbreviations

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The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder' and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn, loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.