



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

February 27, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Patrick Henry National Bank
Charter Number 16613**

**Post Office Box 1776
Bassett, Virginia 24055**

**Office of the Comptroller of the Currency
3800 Electric Road, Suite 204
Roanoke, Virginia 24018**

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 **Patrick Henry National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of February 27, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A of 12 CFR Part 25.*

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

Patrick Henry National Bank has a satisfactory record of meeting the credit needs of its community in both Virginia and North Carolina, including the needs of low- and moderate-income individuals. This assessment is based on an adequate level of loan originations, a high level of lending within the bank's assessment area, and a reasonable level of lending to borrowers of different incomes and businesses of different sizes.

INSTITUTION'S CRA RATING, VIRGINIA: **Satisfactory**

Patrick Henry National Bank has a satisfactory record of meeting the credit needs of its community in the Virginia portion of its assessment area. This assessment is based on a high level of lending in the Virginia assessment area and a reasonable level of lending to borrowers of different income and businesses of different sizes.

INSTITUTION'S CRA RATING, NORTH CAROLINA: **Satisfactory**

Patrick Henry National Bank has a satisfactory record of meeting the credit needs of its community in the North Carolina portion of its assessment area. This assessment is based on a high level of lending in the North Carolina assessment area and a reasonable level of lending to borrowers of different income and businesses of different sizes.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	Patrick Henry National Bank (Virginia and North Carolina) 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 performed due to the demographics of the assessment area.		
Response to Complaints	No complaints have been received since the last examination.		

DESCRIPTION OF THE INSTITUTION

Patrick Henry National Bank is a \$254 million institution headquartered in Bassett, Virginia. The bank operates five Virginia locations in the city of Martinsville and the counties of Henry and Patrick. The bank also operates two office locations in Rockingham County, North Carolina.

To help meet the credit needs of its community, Patrick Henry National Bank offers a variety of banking products and services including agricultural, small business, residential, consumer, and commercial loans. The loan portfolio is distributed, by percentage, as follows: commercial real estate 49%; residential real estate 26%; consumer loans 13%; and commercial loans 12%. The bank further facilitates credit availability in its community through an associated entity, *The Mortgage Company of Virginia*. This company can accommodate a broad range of long term mortgage products, including a variety of government sponsored programs. Through this company, the bank has provided its community with the opportunity to obtain long term conventional fixed- and adjustable-rate mortgages.

There are no financial or legal impediments restricting the lending activities of the bank.

DESCRIPTION OF THE ASSESSMENT AREA

Patrick Henry National Bank's assessment area includes portions of North Carolina and Virginia.

Virginia Assessment Area

Patrick Henry National Bank's Virginia assessment area is the City of Martinsville, Henry and Patrick Counties. The assessment area is comprised of 22 block numbering areas (BNAs), of which one is moderate income, 18 are middle income, two are upper income and one is not populated. There are no low income block numbering areas in the assessment area.

The local economy has been experiencing low to moderate economic growth during recent years. Martinsville and Henry County is a stable industrial area and is a major center of furniture, textile and prefabricated home manufacturing. Among the major furniture companies located in the area are Bassett Furniture Industries, American Furniture Company, and Stanley Furniture Company. The area is also home to several major textile companies including Tultex Corporation, Bassett-Walker Inc., Sara Lee Knit Products, and Pluma, Inc. Nationwide Homes, the largest prefabricated homes manufacturer in the South, is also located in the area. In addition to industries, Henry County houses a significant amount of farmland and agriculture, with tobacco being the most important cash crop.

The assessment area has a total population of 90,577. The updated 1997 MSA median family income for this area is \$34,800.

North Carolina Assessment Area

Patrick Henry National Bank's assessment area in North Carolina is Rockingham County. There are 16 BNAs in the assessment area, of which 10 are middle income and six are upper income. There are no low or moderate income block numbering areas in the assessment area.

The assessment area has a total population of 86,064. The 1997 Median Family Income for the non-metropolitan areas of Virginia is \$34,800. The area's economy is stable and is composed of several industrial companies including Miller Brewing Company, Sara Lee Knit Products, Commonwealth Tobacco, and Pluma, Inc. It is also home to the area's largest hospital, Morehead Hospital.

Discussions with local government officials and representatives of community development associations indicate community credit needs include low-interest small business loans to promote economic growth and affordable housing loans. Both representatives specifically mentioned Patrick Henry National Bank's commitment to addressing these credit needs. The bank is one of five local banks participating in a collaborative effort between the City of Martinsville and Henry County to promote business growth in the downtown Martinsville area. This program provides low-interest loans to small businesses in the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan to Deposit Ratio - Virginia and North Carolina

The loan to deposit ratio is reasonable when compared to other banks in the assessment area. The loan to deposit ratio has averaged 60% since December, 1995. This ratio is comparable to the peer average of 67% for the same time period. In addition, Patrick Henry National Bank has facilitated residential mortgage originations in its community through its associated entity, *The Mortgage Company of Virginia*. Through this entity, 58 additional residential mortgage loans totaling \$3.5 million were originated throughout the bank's community during 1997. Offering access to these long term, fixed rate mortgage products demonstrates a willingness to meet established credit needs of the community.

Lending in the Assessment Area - Virginia

The vast majority of the bank's lending activities are within the bank's assessment area. Based on our review of all residential real estate loans booked, and a sample of "other consumer purpose" loans, approximately 96% of the number of loans originated in 1997 were to borrowers residing within the bank's assessment area.

Lending in the Assessment Area - North Carolina

The bank's North Carolina offices opened in 1997. A substantial majority of the bank's loans in North Carolina are in its designated assessment area. Ninety three percent of the loans sampled were in the bank's assessment area.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes - Virginia

Patrick Henry National Bank has demonstrated a reasonable distribution of loans among borrowers of different incomes and businesses of different sizes, particularly low- and moderate-income individuals. An analysis of the number of residential mortgage loans originated during 1997 reveals that 21% of these loans were originated to low-income borrowers and 27% were originated to moderate-income borrowers. This penetration is reasonable given that low- and moderate-income families comprise 18% and 18% of the assessment area, respectively.

1997 Consumer and Real Estate Lending by Income Level ¹ - Virginia			
Income Level	Consumer and Real Estate Loans		% of Families in the Assessment Area
	#	%	
Low	18	21%	18%
Moderate	22	27%	18%
Middle	23	28%	24%
Upper	20	24%	40%
Total	83	100%	100%

A review of commercial lending activities from May through November, 1997, indicates a reasonable distribution of lending by loan size.² During this time period, the bank originated 276, or \$3.4 million, commercial purpose loans, for an average loan of \$12,000. A sample of these loans indicated that approximately 43% were to businesses with less than \$1 million in annual revenues.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes - North Carolina

An analysis of consumer purpose lending activities reveals a clear penetration of lending among borrowers of different incomes, specifically low- and moderate-income borrowers. A random sample of consumer loans shows that 72% of the consumer loans generated during 1997 were to low- and moderate-income borrowers. This represents a strong penetration of lending among borrowers of different income levels.

¹ Income levels are defined as a percentage of HUD's non-metropolitan median family income for the State of Virginia, which is \$34,800. Low income is less than 50% of this figure, moderate is at least 50% but less than 80%, middle income is at least 80% but less than 120%, and upper is more than 120%.

² Small business loans are loans to businesses with an original amount of \$100,000 or less.

1997 Consumer Lending by Income Level - North Carolina			
Income Level	Other Consumer Purpose Loans		% of Families in the Assessment Area
	#	%	
Low	13	47%	16%
Moderate	7	25%	16%
Middle	4	14%	23%
Upper	4	14%	45%
Total	28	100%	100%

There was insufficient data to assess the bank's performance regarding lending to businesses of different sizes. The branch offices in this part of the bank's assessment area opened a relatively short time ago, and the region is predominantly rural. Considering the demographics of the area, and the bank's performance in its other assessment area, we would expect similar performance in terms of targeting small businesses here as well.

Geographic Distribution of Loans - Virginia and North Carolina

Patrick Henry National Bank was not evaluated under this performance criteria. An analysis of the distribution of loans among geographies of different income levels would not be meaningful given the number and income distribution of geographies in the assessment areas.

Review of Complaints - Virginia and North Carolina

The bank has received no CRA related complaints.

Compliance with Anti-Discrimination Laws - Virginia and North Carolina

No violations of the substantive provisions of the anti-discrimination laws and regulations were noted.