



PUBLIC DISCLOSURE

September 9, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Williamson
Charter Number 6830
Second Avenue and Logan Street
Williamson, West Virginia 25661**

Office of the Comptroller of the Currency
Charleston Field Office
100 Capitol Street, Suite 400
Security Building
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.*

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 the **First National Bank of Williamson** prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of June 30, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A of 12 Code of Federal Regulations (CFR) Part 25.

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

The **First National Bank of Williamson** 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; lending to borrowers of different incomes and to businesses of different sizes; geographic distribution of loans; and, response to consumer complaints. This evaluation is based on information from January 29, 1996 through June 30, 1998.

The following table indicates the level of CRA performance of the **First National Bank of Williamson** with respect to each assessment criterion for small institutions:

SMALL INSTITUTION ASSESSMENT CRITERIA	NATIONAL BANK of DAVIS 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		X	
Response to Complaints	The Bank has received no CRA related complaints.		

DESCRIPTION OF INSTITUTION

The First National Bank of Williamson (FNB) is a \$69 million community bank with its banking offices located in Williamson, West Virginia. FNB's main banking facility is located in the heart of downtown Williamson with their one branch facility located approximately one-half mile from the main office. The bank has an automated teller machine located at its main office.

As of June 30, 1998, net loans represented approximately 35% of total assets and 43% of total deposits. FNB's loan portfolio reflects the consumer nature of the bank as 67% of the loans are residential real estate loans, 19% consumer loans, and 14% commercial loans. Due to its size FNB offers a limited number of loan products. Its most prevalent product is a fixed rate mortgage loan. The bank also makes low-dollar consumer loans which are usually written for a stated term. These unsecured personal loans have no minimum loan amount. The bank also accommodates customers who require more flexible credit terms by offering credit card applications through a credit card issuing bank.

FNB is considered "**well capitalized**", as defined by Section 131 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA) of 1991. There are no financial conditions, legal constraints, or other conditions that would hinder the bank's ability to help meet the credit needs of its assessment area. FNB's CRA performance was last evaluated January 29, 1996 and was rated Satisfactory.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area (AA) is all of Mingo County, West Virginia plus three adjacent block numbering areas (BNA) in Pike County, Kentucky. There are no portions of the county or BNAs excluded in this assessment. The bank's AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. The AA includes ten BNAs and the U.S. Bureau of Census has designated three as being moderate-income and seven as middle-income.

The entire AA has a population of 44,305, with Mingo County reporting 33,739. The largest city in the AA is Williamson the seat of county government for Mingo County with a population of approximately 4,000.

The 1997 statewide nonmetropolitan median family income¹ for the combined AA, as determined by the U.S. Department of Housing and Urban Development (HUD), was \$28,680. The 1990 census medium family income was \$22,621. The income levels of the families living in the AA: 29.3% low-income; 15.8% moderate-income; 17.7% middle-income; and, 37.1% upper-income.

Eleven percent of the people in the AA are over the age of 65. Thirty-three percent of the households in the AA receive social security income while 15% receive some other type of public assistance. In addition, 27% of the households are considered to be below the poverty level.

The AA's economy is stagnant and loan demand is considered moderate to low. But banking within the AA is very competitive despite these economic indicators. There are seven other financial institutions with sixteen facilities in the vicinity to help meet local banking needs. These are reduced numbers since our last review due to bank consolidations and mergers.

The June, 1998 unemployment rate for Mingo County was 8.8% while the West Virginia state average was 12.7%. The high unemployment rate has existed for a number of years reflecting the instability in the mining industry and lack of an adequate means of transportation. No unemployment figures were readily available for the census tracts in Pike County, Kentucky. Kentucky's unemployment statewide has been below that of West Virginia.

Based on 1997 West Virginia Employment and Wages information, 36% of the Mingo County population is employed in the mining and related industries and 18% by a Government agency. The Norfolk and Southern railroad continues to be an integral part of the economy and is the largest single employer. Industries within this area also includes light manufacturing, the logging industry, and retail trades and services.

The portion of Pike County is similar to Mingo County, with mining and its related industries being the major employer. South Williamson, Kentucky also has a small retail mall and numerous other retail facilities along highway US 119.

¹The term median family income describes the median income earned by people sharing a home that are related by birth, marriage, or adoption.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

◆ Loan to Deposit Ratio

FNB's loan to deposit ratio is reasonable. During the eleven quarters since the last CRA examination, FNB's loan to deposit ratio has averaged 40.13.% and was 42.72% on June 30, 1998. The loan to deposit ratio has increased from 33.37% to 42.72% between examinations as a result of a change in banking philosophy and offering better terms on their credit products. Located in the bank's AA is another community bank considerably larger in asset size than FNB and offering more products due to its available resources. Although FNB's level of lending, based on its ratio of loans to deposits, is slightly below that of peer banks of similar size, the reasonableness of the bank's lending to the community is substantiated somewhat by its high number of low-dollar consumer loans and moderate to low loan demand. As an example of low-dollar consumer loans, a sample of 26 consumer loans made in the last 18 months was drawn. From this sample 18 were unsecured and revealed that these loans ranged from \$400 to \$4,898, with a median loan amount of \$1,537. Eighty-three percent of the unsecured loans were made to low or moderate-income individuals.

◆ Lending in the Assessment Area

A substantial majority of the bank's lending activity is within the AA. In order to determine this, we analyzed a sample of FNB's loan portfolio. This sample consisted of 19 real estate loans originated between January 1, 1997 and June 30, 1998. This sample is representative of the bank's overall lending performance in addressing the housing and borrowing needs within their AA. The following table illustrates the bank's lending in the AA:

REAL ESTATE MORTGAGE LOANS

	Number of Loans Originated	Percent of Number of Loans Originated	Dollar Amount of Loans Originated	Percent of Dollar Amount of Loans Originated
Inside AA	18	94.7%	\$665,832	91.7%
Outside AA	1	5.3%	\$60,000	8.3%
TOTALS	19	100%	\$725,832	100%

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

FNB lends to borrowers of different income levels. We determined this by reviewing the same sample of real estate loans. The following tables illustrate FNB's lending to individuals of different income levels, based on this sample of loans:

REAL ESTATE MORTGAGE LOANS WITHIN THE ASSESSMENT AREA BY BORROWER INCOME LEVEL

Income Level	Families in the AA	Number of Loans	Percent by # of Loans	Amount of Loans	Percent by \$ Amount
Low	29.3%	1	5.6%	\$6,777	1.0%
Moderate	15.9%	2	11.1%	\$64,755	9.7%
Middle	17.7%	3	16.7%	\$79,600	12.0%
Upper	37.1%	12	66.6%	\$514,700	77.3%
Total	100%	18	100%	\$665,832	100%

Although only one loan to low-income and two to moderate-income borrowers appeared in the sample, the bank does make loans to qualified borrowers of all income groups. A factor that contributes to these low totals, is the fact that low-income and moderate-income is defined as being \$14,340 or less and between \$14,341 and \$22,944 respectively. Borrowers below those thresholds have a difficulty in meeting Loan to Value and Debt to Income criteria for real estate loans.

The bank's level of lending to businesses of different sizes is reasonable and is consistent with the number of small businesses located in the AA. Based upon discussions with the local Chamber of Commerce, most if not all businesses in the AA would be considered small business. Ninety-one commercial loans were made between May 1997 and June 1998. A review of these loans indicate that they were made to businesses located within the AA. By using the size of the loans extended to the businesses as an indicator of business size, we found that all of the commercial loans originated were for amounts less than \$150,000. The loans ranged from \$1,500 to \$150,000. Of these, 95% were for an amount under \$100,000.

◆ **Geographic Distribution of Loans**

FNB's geographic distribution of loans reflects a reasonable dispersion throughout the income geography in their AA. This determination is based on our sample of real estate loans. We found that the loans were well disbursed throughout the AA. The bank's lending pattern does not exhibit any conspicuous, unexplainable gaps. There are no low- or moderate-income geographies in the AA.

◆ **Response to Complaints**

FNB has received no CRA related complaints since its prior CRA evaluation in January 1996.

◆ **Compliance with Antidiscrimination Laws and Regulations**

A fair lending examination was performed in conjunction with our CRA evaluation. This fair lending examination consisted of a comparative file analysis of unsecured consumer loans originating throughout 1997 and 1998. No violations of the substantive provisions of antidiscrimination laws and regulations were identified.