



## **PUBLIC DISCLOSURE**

**July 12, 1999**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**McDowell County National Bank  
Charter Number 13512  
Bank and Wyoming Streets  
P.O. Box 549  
Welch, West Virginia 24801**

**Office of the Comptroller of the Currency  
Virginia Field Office  
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 **McDowell County National Bank** prepared by **the Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **July 12, 1999**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

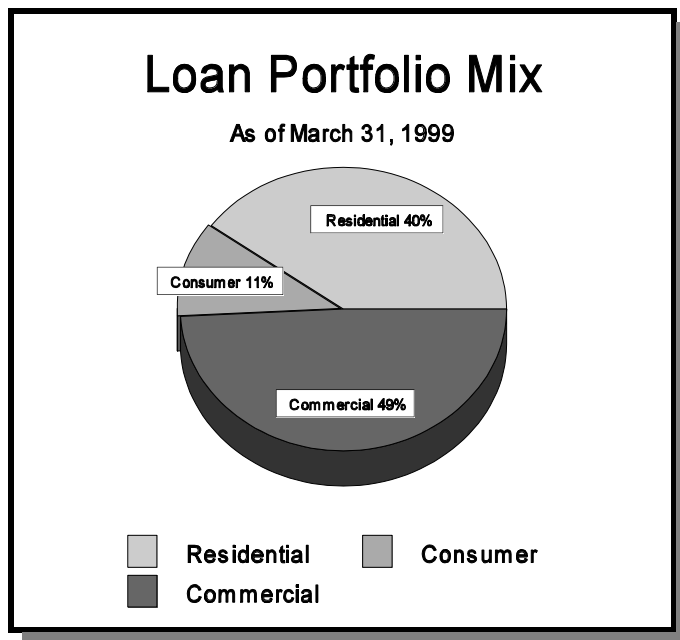
**INSTITUTION'S CRA RATING:** This institution is rated **Satisfactory**.

The McDowell County National Bank in Welch, West Virginia has a satisfactory record of meeting the credit needs of its community, including low- and moderate-income individuals. This assessment is based on an appropriate level of loan originations, a strong level of lending within the bank's assessment area, a reasonable level of lending to borrowers of different income levels and businesses of different sizes, and a reasonable dispersion of loans throughout the assessment area.

## DESCRIPTION OF INSTITUTION

McDowell County National Bank has total assets of \$113 million and is located in southern West Virginia. The bank has operated since 1930 and continues to serve the community with one full service banking office in downtown Welch. The bank offers a convenient “minibank” that accepts deposits from customers.

To help meet the credit needs of its community, the bank offers a variety of banking products and services. Loan products include “low doc” Small Business Administration loans, loans for residential, consumer, and commercial loan purposes, and government-sponsored student loans. The type and quantity of loans in the bank’s portfolio reflect positively on the bank’s efforts to meet the credit needs of its community. There are no financial or legal impediments restricting the lending activities of the bank. The following graph illustrates the composition of the bank’s loan portfolio:



## DESCRIPTION OF ASSESSMENT AREA

**McDowell County National Bank defines its assessment area as the three contiguous southern West Virginia counties of McDowell, Wyoming, and Mercer.** The area has traditionally relied on coal mining as the major local employer. However, the use of mechanization in mining and a general

decline in demand for coal has caused local employment in

the coal industry to substantially decline. Unemployment in the area is high at 14.9% for McDowell County and 10.6% for Wyoming County. Mercer County has a lower unemployment rate of 4.5% and has a more diverse economy. Major employers in the assessment area include the state education system, United States Steel, financial institutions, and the coal mining industry.

The population of the assessment area totals 129,203 and the number of households total 48,668. Approximately 13% of the households in the assessment area receive public assistance, 39% receive social security benefits, and 25% are below poverty level. Local officials constantly face the challenge of revitalizing the area because of the depressed economic conditions.

The three county area includes thirty block numbering areas (BNAs). There are no low-income BNAs. Eight of the BNAs are moderate-income, twenty are middle income, and two are upper income. The median family income for the area is \$30,000.

Discussions with bank officials and community contacts indicate that community credit needs include small dollar consumer loans, flexible small business loan products, housing and rehabilitation loans. McDowell County National Bank is addressing these needs through existing products. Management entertains all credit requests and has not specified a minimum loan amount. They have made a concerted effort to meet the credit needs of small businesses. Management offers a variety of mortgage loan products including Title I home improvement loans.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

**Loan to Deposit Ratio**

**McDowell County National Bank’s loan-to-deposit ratio is reasonable and has averaged 54.69% since the last CRA examination completed in June 1997.** The ratio falls within local peer bank averages that range from 33.32% to 59.64%. The local peer group includes banks in the assessment area with assets less than \$250 million.

**Lending in the Assessment Area**

**A substantial majority of loans are originated within the bank’s assessment area.** Bank supplied data for 1998 shows that the bank originated 93% of the number and 75% of the dollar volume of commercial, residential, and consumer loans within the assessment area. The accuracy of information provided was confirmed during the examination.

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

**The bank has a reasonable lending penetration among borrowers of different income levels and to business of different sizes.** The following chart illustrates the bank’s lending to borrowers of different income levels during 1998 and is derived from income information collected on residential purposes loans and a sample of various consumer purpose loans. We verified income information collected on residential loan during the examination.

| <b>1998 Residential and Consumer Lending by Income Level</b> |                                  |                   |   |                        |                   |   |
|--|----------------------------------|-------------------|---|------------------------|-------------------|---|
| <b>Income Level</b>  | <b>All Residential Mortgages</b> |                   | <b>% of Families in the Assessment Area</b> | <b>Consumer Sample</b> |                   | <b>% of Families in the Assessment Area</b> |
|  | <b>#</b>                         | <b>% of Total</b> |   | <b>#</b>               | <b>% of Total</b> |   |
| <b>Low</b>   | 18                               | 16                | 26  | 10                     | 25                | 26  |
| <b>Moderate</b>  | 13                               | 11                | 18  | 11                     | 28                | 18  |
| <b>Middle</b>  | 23                               | 20                | 18  | 9                      | 22                | 18  |
| <b>Upper</b>   | 60                               | 53                | 38  | 10                     | 25                | 38  |
| <b>Total</b>   | 114                              | 100               | 100   | 40                     | 100               | 100   |

A review of residential loans made in 1998 revealed that, approximately 16% of the residential loans were granted to low-income borrowers, 11% to moderate-income borrowers, and 20% and 53% to middle- and upper-income borrowers, respectively. The level of residential loans to low- and moderate-income borrowers were lower than the demographic percentages. However, the sample of consumer loans revealed a distribution of low- and moderate-income borrowers that approximates demographics with 25% of the consumer loans to low-income borrowers, 28% to moderate-income, 22% and 25% to middle- and upper-income borrowers, respectively.

The bank originated 21 commercial loans in 1998 to businesses of various sizes totaling \$1.8 million. Twenty or 95% of the commercial loans originated were extended to small businesses. A small business is defined as a business with annual revenues less than one million dollars.

### **Geographic Distribution of Loans**

**McDowell County National Bank has a reasonable dispersion of loans throughout the assessment area.** As described earlier, the bank's assessment area contains no low- income BNAs, eight moderate-income BNAs, twenty middle-income BNAs, and two upper-income BNAs. Based on our analysis of the zip code report provided by the bank, McDowell County National Bank is lending throughout the assessment area. However, the bank's lending is concentrated in McDowell County where the bank's offices are located. Seven of the moderate-income BNAs are located in McDowell County. The eighth moderate-income BNA (#9516) is located in Mercer County along the McDowell County line. The bank has loans in BNA 9516, but it is difficult to determine how many since some of the area uses a Bluefield, West Virginia zip code. In 1998, the bank originated 731 loans in McDowell County that represent 81% of the loans originated in 1998.

### **Response to Complaints**

The bank has received no CRA related complaints since the last CRA examination.

### **Compliance with Anti-Discrimination Laws**

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