



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

February 5, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Altheimer
Charter No. 14731**

**302 West Front Street
Altheimer, Arkansas 72004**

**Office of the Comptroller of the Currency
Southwestern District
1600 Lincoln Plaza, 500 North Akard
Dallas, TX 75201**

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 **First National Bank of Alzheimer** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **February 5, 1998**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.*

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

The conclusion is based on the following:

- ▶ The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the assessment area credit needs.
- ▶ A majority of loans are made in the assessment area.
- ▶ The distribution of borrowers reflects, given the demographics of the assessment area, excellent penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.
- ▶ The geographic distribution of loans reflects excellent dispersion throughout the assessment area.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>First National Bank of Altheimer</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio		✓	
Lending in Assessment Area		✓	
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes	✓		
Geographic Distribution of Loans	✓		
Response to Complaints	No complaints received.		

DESCRIPTION OF INSTITUTION

First National Bank of Altheimer (FNB) is located in Altheimer, Arkansas. As of December 31, 1997, FNB reported total assets of \$13 million. The bank is not an affiliate of a holding company. Ownership is held by individual shareholders.

The bank's primary business focus is agriculture, consumer, and small business loans. FNB offers consumer, residential, home improvement, crop production loans, and commercial loans. The loan portfolio composition as of December 31, 1997, is as follows:

Loan Type	\$ Volume (000)	% of Portfolio
Farmland & Agricultural	\$1,634	30%
Installment	1,228	23%
Commercial/RE	1,747	33%
1-4 Family Residential	732	14%
TOTAL	\$5,341	100%

FNB is the only financial institution in Altheimer. North Jefferson County also has a branch of a larger financial institution located in Humphrey, Arkansas; however, it is not comparable to FNB.

There are no financial constraints that prohibit the bank from meeting assessment area credit needs.

DESCRIPTION OF THE ASSESSMENT AREA

Altheimer is located in southeastern Arkansas in Jefferson County and is approximately 11 miles northeast of Pine Bluff. The bank's assessment area is located in the Pine Bluff, Arkansas Metropolitan Statistical Area (MSA) #6240. FNB's assessment area is comprised of three census tracts (CT's) in northern Jefferson County and consist of CT's #1.02, #1.85, and #7.00. CT #1.85 is designated as moderate-income and CT's #1.02 and #7.00 are designated as middle-income.

According to the 1990 U.S. Census demographic data, the three CT's that comprise the bank's assessment area reported a population of 6,200. Altheimer has a population of 972. There is a total of 1,299 families of which 422 (32%) are low-income, 278 (21%) are moderate-income, 228 (18%) are middle-income, and 372 (29%) are upper-income. The median family income (MFI) for Jefferson County is \$34,300. This income figure is used to determine the income level of individual CT's. The 1997 Department of Housing and Urban Development (HUD) estimated MFI for the Pine Bluff, Arkansas MSA at \$34,300. The HUD estimated MFI is used to determine the income level of individual applicants and is updated annually.

Local economic conditions are currently stagnant due to drought conditions and declining profitability encountered by many of the farmers in the past decade. The local economy is centered in agriculture, primarily cotton, rice, and soybean farming. The major industries in the assessment area include a cotton gin and a rice mill. Many residents in the assessment area commute to jobs in Pine Bluff. Major employers in Jefferson County include International Paper Company and Jefferson Regional Medical Center. The 1990 U.S. Business demographic data reported 59 farms and 68 businesses in the assessment area's three CT's.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. FNB's loan-to-deposit ratio has fluctuated since the February 5, 1995 evaluation. The ratio has averaged 58% from March 31, 1995 to December 31, 1997. Over a 12-quarter period, the loan-to-deposit ratio has been as low as 46% and as high as 71%. The bank's loan-to-deposit ratio fluctuates due to the seasonality of crop loans.

Lending in Assessment Area

A majority of loans are originated in the bank's assessment area. Out of 436 loans originated in 1997, 333 or 77% were made in the assessment area. In terms of dollar volume, FNB originated \$4.3 million in loans in 1997, of which \$3 million or 70% were made in the assessment area.

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

The distribution of borrowers reflects, given the demographics of the assessment area, excellent penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes. For this analysis, a sample size of 43 consumer loans (automobile, secured, unsecured, and residential real estate) was used to determine the income distribution of borrowers.

<i>Distribution of Loans in Assessment Area by Borrower Income</i>								
Income Levels	Low		Moderate		Middle		Upper	
		%		%		%		%
Family Characteristics	422	32%	278	21%	228	18%	372	29%
Number of Loans	11	26%	22	51%	4	9%	6	14%
Dollar Volume	\$15,932	13%	\$55,195	44%	\$17,903	14%	\$35,732	29%

A sample of 5 business loans and 29 farm loans was used to determine if FNB is making loans to businesses and farms of different sizes. From the sample taken, FNB has an excellent record of making loans to small businesses and farms. Out of the 5 business loans sampled in the assessment area, 4 businesses reported gross annual revenues of less than \$1 million. Out of the 29 farm loans in the assessment area, all reported gross annual revenues of less than \$1 million. Based on the dollar amount of individual or related loans FNB can legally make in relation to its capital, all loans to businesses and farms are considered small loans.

Geographic Distribution of Loans

The geographic distribution of loans reflects excellent dispersion throughout the assessment area. Of the assessment area's three CT's, one or 33% is moderate-income and two or 67% are middle-income. The geographic distribution of the number of loans originated in 1997 shows that 241 or 72% were made in the moderate-income CT, and 92 or 28% were made in the middle-income CT's.

Response to Complaints

No complaints have been received from the public in the prior two years that specifically relate to the bank's performance in helping to meet community credit needs.

ADDITIONAL INFORMATION

Discrimination or Other Illegal Credit Practices

A Fair Lending review was conducted in conjunction with the bank's CRA evaluation. The sample criteria included loans secured by certificates of deposit and automobile loans. No evidence of discrimination or disparate treatment was noted during this review. FNB is in technical compliance with fair lending laws and regulations.