



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

March 6, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Forrest City Bank, N.A.
Charter Number 23195**

**715 North Washington
Forrest City, AR 72335**

**Comptroller of the Currency
Little Rock Field Office
10201 West Markham, Suite 105
Little Rock, AR 72205**

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.

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 **Forrest City Bank, N.A., Forrest City, Arkansas** as prepared by the **Comptroller of the Currency**, the institution's supervisory agency, as of March 6, 2003. 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 conclusion is based on the following:

- **A substantial majority of loans were made in the assessment area.**
- **The bank has a good distribution of loans to borrowers of different income levels and businesses of different sizes.**
- **The bank's loan-to-deposit ratio is good given the bank's size, financial condition, and the assessment area credit needs.**
- **No violations of anti-discrimination laws and regulations were identified.**

DESCRIPTION OF INSTITUTION

Forrest City Bank, N.A. (FCB) had average assets of \$81.3 million as of December 31, 2002. The bank is located in Arkansas approximately 45 miles west of Memphis, Tennessee and 85 miles east of Little Rock, Arkansas. The bank's primary business focus is residential real estate and commercial loans with the loan portfolio representing approximately 50% of total assets. As a percentage of Tier 1 Capital, real estate loans totaled 439%, commercial 116%, and consumer and others totaled 71%. The loan portfolio composition as of December 31, 2002 was as follows:

Loan Type	\$ Volume (000)	% Of Portfolio
Real Estate	\$30,219	70%
Commercial	\$7,996	19%
Consumer & Other	\$4,901	11%
Total	\$43,116	100%

FCB operates only in Arkansas. The bank's main office and one branch are located in Forrest

City, Arkansas. The bank has a total of two ATMs located at each office. The bank offers a full range of banking services that are accessible at the main facility and at the branch. FCB is not an interstate bank and is not located in an MSA. The bank is owned by a one-bank holding company, Forrest City Financial Corporation, located in Forrest City, AR. Total assets of the holding company are \$84.8 million and consist primarily of FCB. There are no legal, financial or other constraints that impede the bank's ability to help meet the credit needs of its assessment area. The bank received a "**Satisfactory**" rating at the last CRA examination dated May 11, 1998.

Within their assessment area, the bank's deposit competition consists of three national banks. FCB's deposit market share as of June 30, 2002 was 24.35%.

DESCRIPTION OF ASSESSMENT AREA

FCB's assessment area consists of three census tracts in Forrest City, Arkansas. They are 9604, 9605 and 9606. The bank's assessment area meets the requirements of CRA regulations and does not arbitrarily exclude any low and moderate-income geographies. The 2002 U. S. Census updated median family income for non-Metropolitan Statistical Areas in Arkansas, including the assessment area, was \$34,200. This number is used to determine the income level of the census tracts in the assessment area. FCB's assessment area is comprised of two moderate-income and one middle-income census tracts.

According to the 1990 U. S. Census demographic data, the reported population of the assessment area was 14,416. Thirty-seven percent of the households showed income below the poverty level. There are 5,193 households in the assessment area of which: 3,900 (75.1%) are located in moderate-income areas and 1,293 (24.9%) are located in moderate-income areas. The average cost of housing in the assessment area is \$42,548. Owner occupied units represent 49.59% of the population.

The assessment area has a history of high unemployment compared to the State of Arkansas and national averages. Unemployment data as of December 2002 shows the national unemployment average of 5.8%. The State of Arkansas shows 5.4% with St. Francis County showing 7.9%. The high unemployment can best be explained by the lack of employment opportunities.

The bank's assessment area is primarily manufacturing, retail trade, and services related. Major employers within the assessment area with more than 500 employees are Sanyo Manufacturing Corporation, Forrest City Grocery Company, and Boar's Head Provisions Company, Inc.

One community development organization was contacted during this CRA review period. This organization provides rental assistance to low- and moderate-income individuals. This organization was contacted in an effort to determine opportunities for financial institutions to help meet local credit needs and to understand community perceptions of the local financial institutions' performance in meeting those needs. The organization believes that more affordable 1-4 family residential housing is needed in the community. The bank makes several loans to residential development builders that build affordable homes.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

For purposes of the loan-to-deposit ratio, the quarterly loan-to-deposit ratio was calculated for the twenty quarters since the last CRA examination dated May 11, 1998. When compared to similarly situated banks in the surrounding area, the calculated loan-to-deposit ratio of 82.88% is reasonable. The bank's capacity to lend is good.

Lending in Assessment Area

A substantial majority of loans are within the bank's assessment area. The level of lending inside the assessment area exceeds the standards outlined in the regulation. Our review showed that 62% of the loans made were to individuals or businesses inside the bank's assessment area.

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

The number and percentage of loans made by income level reflects adequate penetration among low and moderate-income individuals given the demographics of the assessment area. We analyzed 20 1 to 4 family residential real estate loans. Our review reflects 1-to-4 family residential real estate loans were made to individuals in all four-income levels and are reasonably dispersed among all income levels. Our conclusions are based on originations and purchases since the last examination rather than outstandings. The following table compares loan distribution in our sample to assessment area population distribution.

Distribution of Real Estate Loans in Assessment Area by Borrower Income										
	Low		Moderate		Middle		Upper		Total	
	#	%	#	%	#	%	#	%	#	%
Families within AA	1,342	35%	520	14%	629	16%	1,320	35%	3,811	100%
Families in the Loan Sample	3	15%	2	10%	5	25%	10	50%	20	100%

We also analyzed 20 business loans. Our sample indicated FCB makes loans to businesses with revenues over and under \$1 million and has a satisfactory record of making loans to businesses of different sizes. None of the loans originated in our sample were over \$1 million.

Distribution of Business Loans in Assessment Area by Revenue and Loan Size										
	Revenue Under \$1 Million		Revenue Over \$1 Million		Loan Size Under \$1 Million		Loan Size Over \$1 Million		Total	
	#	%	#	%	#	%	#	%	#	%
Business Loans	17	85%	3	15%	20	100%	0	0%	20	100%

Community Development Lending

During the evaluation period, FCB originated loans to four residential construction companies in its assessment area totaling \$1.4 million. These loans financed the construction of affordable homes and rentals for low- and moderate-income families. FCB also loaned \$15,000 to a community development corporation that provides job training to low- and moderate-income individuals.

Geographic Distribution of Loans

A geographical analysis of loans by number and income distribution was performed. The bank's residential mortgage and small business loans are equitably distributed throughout the assessment area. As indicated previously, there are no low- or upper-income census tracts in the bank's assessment area. Our sample of mortgage loans indicated that nine loans or \$1.2 million are located in the moderate-income census tract and 11 loans or \$704,350 are located in the middle-income census tracts. Our business loan sample indicated that 14 loans or \$1.1 million are located in the moderate-income census tract and six loans or \$1.3 million are located in the middle-income census tracts.

Responses to Complaints

No complaints have been received from the public specifically related to the bank's performance in helping to meet community credit needs.

Fair Lending Review

An analysis of three years public comments and consumer complaint information was performed to the OCC's risk-based fair lending approach. Based on an analysis of the information, the OCC decided that a comprehensive fair lending examination was not needed in connection with the CRA evaluation this year. The latest comprehensive fair lending examination was performed during the May 11, 1998 examination. That examination focused on first purchase residential loans originated in 1997 and 1998. The OCC used the "benchmark" approach to determine if potential discrimination occurred based on a prohibited basis or if greater assistance was provided to the control group. We found no evidence of illegal discrimination or other illegal credit practices during that examination.