



**SMALL BANK**

---

Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

---

## **PUBLIC DISCLOSURE**

**October 25, 2005**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The First National Bank of Dozier  
Charter Number 9681**

**7825 South Main Street  
Dozier, AL 36028**

**Comptroller of the Currency  
Georgia (Atlanta)  
1117 Perimeter Center West Suite W401  
Atlanta, GA 30338**

**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.**

## **INSTITUTION'S CRA RATING**

**This institution is rated *Satisfactory*.** First National Bank's performance rating is supported by the following factors:

- A reasonable loan-to-deposit ratio
- A majority of loans are granted in the assessment area
- Lending to borrowers of different income levels is reasonable
- Good loan penetration among businesses of different sizes
- A reasonable geographic distribution of loans in the assessment area

## **DESCRIPTION OF INSTITUTION**

Fist National Bank of Dozier (FNB) is located in Dozier, Alabama, approximately eighty miles south of Montgomery, Alabama. FNB is a local, independent community bank. It is not a subsidiary of a holding company. Dozier is located in southern Crenshaw County, Alabama and, according to the 2000 US Census, has a population of approximately 400. Operating a main office with a drive-in facility, FNB is the only financial institution serving the town of Dozier. There are no branch offices or Automatic Teller Machines (ATM's). FNB is not located in a Metropolitan Statistical Area (MSA) and is not required to file an annual summary of their mortgage lending activity.

The bank offers loan products well suited to meet identified credit needs. Loans offered include, but are not limited to, commercial and consumer mortgages, personal loans, agricultural loans, and small business loans. As of June 30, 2005, the bank had total assets of \$32 million with a loan portfolio approximating \$10 million. Lending activity is centered in residential real estate loans (26%), commercial real estate loans (25%), commercial and industrial loans (19%), consumer loans (14%), and agricultural, construction/development, and home equity loans (6%). Total deposits were \$24 million with capital accounts aggregating \$5 million.

There are no financial conditions, legal constraints or other factors hindering the bank's ability to help meet the credit needs of its assessment area. The bank received a "Satisfactory" rating at its last CRA examination on August 9, 1999. This Performance Evaluation was based on lending activity between January 2003 and September 2005.

## **DESCRIPTION OF FNB'S ASSESSMENT AREA**

FNB's assessment area (AA) meets the technical requirements of the Act and does not arbitrarily exclude low-or moderate-income census tracts. The AA encompasses three census tracts, two moderate-income census tracts in the lower portion of Crenshaw County and one middle-income census tract in northern Covington County.

According to the 2000 US Census data, the bank's AA had a population of 7,215 and a median family income of \$36,638. The Department of Housing and Urban Development's (HUD) 2004

updated median family income estimate is \$47,100. Nineteen percent of families in the AA are below the poverty level. Unemployment is 2.43 percent. The local economy is dominated by a declining agriculture industry including cattle, peanut, cotton, and forestry production.

In addition to FNB of Dozier, competition to provide financial services and products in the bank’s AA is strong and includes offices/branches of larger community and regional banks.

**Crenshaw County**

Crenshaw County is located in south-central Alabama, in the coastal plain area. Communities within the county are Brantley, Dozier, Glenwood, Luverne (county seat), Petrey, and Rutledge. According to the 2000 United States Census, the population of Crenshaw County is approximately 13,665. Of the sixty-seven counties in Alabama, Crenshaw ranks 33<sup>rd</sup> in population growth from 2000 to 2003.

**Covington County**

Covington County adjoins the southern border of Crenshaw County and is north of the Florida state line. Nine communities are located in the county with Andalusia being the county seat. According to the 2000 United States Census, the population of Covington County is approximately 37,631. Of the sixty-seven counties in Alabama, Covington ranks 54<sup>th</sup> in population growth from 2000 to 2003.

**Community Contacts**

As part of our examination, we contacted one community leader regarding local economic conditions and community credit needs. Information obtained through our discussion with a member of the Dozier Town Council supported the need for small business loans.

The following table highlights the demographic composition of the bank’s assessment area:

| <b>Demographic and Economic Characteristics of Assessment Area</b> |                           |
|--|---------------------------|
| <b>Population</b>  | <b>FNB of Dozier’s AA</b> |
| Number of Families   | 2,102                     |
| Number of Households   | 3,008                     |
| <b>Geographies</b>   |                           |
| Number of Census Tracts  | 3                         |
| % Low Income Census Tracts   | 0%                        |
| % Moderate Income Census Tracts (2)                                | 66.67%                    |
| % Middle Income Census Tracts (1)                                  | 33.33%                    |
| % Upper Income Census Tracts                                       | 0%                        |
| <b>Median Family Income (MFI)</b>                                  |                           |
| 2000 MFI for AA  | \$36,638                  |
| 2004 HUD Adjusted MFI for MSA                                      | \$41,700                  |
| <b>Economic Indicators</b>   |                           |
| Unemployment Rate  | 2.43%                     |
| 2000 Median Housing Value  | \$50,915                  |
| % of Households Below Poverty Level                                | 19%                       |

Table 1-2000 US Census.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

FNB's loan-to-deposit ratio is reasonable in view of the community's credit needs, local economic factors, and available lending opportunities. The bank's average quarterly loan-to-deposit ratio since the prior CRA examination is approximately 33 percent. Our review of bank data revealed FNB has only one similarly situated peer bank in the local vicinity in terms of total assets and primary lending focus. This peer bank's average loan-to-deposit ratio during the same period was approximately 46 percent.

FNB's lower loan-to-deposit ratio is attributed to the economy of the southern portion of Crenshaw County, where the majority of the bank's customers reside and/or conduct business. The closing of textile manufacturers, which were the area's primary employers, adversely impacted the area's unemployment rate. However, management stated the business environment in which the bank operates improved when Hyundai Motor Corporation built an automobile manufacturing facility in the Montgomery area. All adjacent counties, including Crenshaw and Covington counties, have many businesses (parts and service providers) that support the Hyundai operation. These companies bring higher wages to bank customers. The bank's loan-to-deposit ratio over the past four years is reflective of the economic changes in the area as the ratio has improved from 23 percent in 2001 to 40 percent in 2005 with an average ratio over the last eight quarters of 39 percent.

### Lending in Assessment Area

Lending levels reflect a satisfactory responsiveness to community credit needs. A sample analysis was performed on all residential real estate and commercial loans originated during this evaluation period. Our analysis revealed that a majority of loans are granted within the AA as detailed in the following table.

| Assessment Area Lending |                    |     |         |     |                        |     |         |     |
|-------------------------|--------------------|-----|---------|-----|------------------------|-----|---------|-----|
|                         | In Assessment Area |     |         |     | Out of Assessment Area |     |         |     |
| Loan Type               | #                  |     | \$000's |     | #                      |     | \$000's |     |
| Residential real estate | 42                 | 84% | \$2,278 | 85% | 8                      | 16% | \$394   | 15% |
| Commercial loans        | 77                 | 73% | \$4,432 | 85% | 28                     | 27% | \$780   | 15% |

Table 2-Bank generated reports for residential real estate loans and commercial loans.

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

From our samples of residential real estate and commercial loans we selected twenty loans made within the AA to evaluate the bank's performance of lending to borrowers of different incomes and to businesses of different sizes.

Overall, the distribution of loans to borrowers of different income levels reflects a good

penetration among individuals of different income (including low- and moderate-income) levels. *Table 3* details the percentage of real estate loans in the AA compared to the percentage of families by income level that reside in the area.

The percentage of residential real estate loans to low-income borrowers is significantly lower than the percentage of low-income families in the AA. This low level of penetration is mitigated to the extent that nineteen percent of families in the AA earn below the poverty level and generally would not have the financial capacity to qualify for a residential mortgage loan. The bank's percentage of loans to moderate-income borrowers is near the percentage of moderate-income families residing in the AA.

| <b>Borrower Distribution of Residential Real Estate Loans</b> |                  |                      |                  |                      |                  |                      |                  |                      |
|---|------------------|----------------------|------------------|----------------------|------------------|----------------------|------------------|----------------------|
| Borrower Income Level   | Low              |                      | Moderate         |                      | Middle           |                      | Upper            |                      |
| Loan Type   | % of AA Families | % of Number of Loans | % of AA Families | % of Number of Loans | % of AA Families | % of Number of Loans | % of AA Families | % of Number of Loans |
| Residential real estate                                       | 23.74            | 10                   | 24.36            | 20                   | 17.46            | 30                   | 34.44            | 40                   |

*Table 3-Bank generated reports for residential real estate loans and commercial loans.*

FNB's lending volume to small businesses is reasonable in view of the small business credit needs of the community and the number of small businesses in the AA. *Table 4* details the results of the business loan sample analysis. Approximately 67 percent of businesses reporting revenues in the AA report revenues of less than \$1 million, according to published demographic data. Comparatively, 65 percent of loans in the sample were made to businesses with revenues less than \$1 million. In addition, of the twenty loans in the sample, 100 percent were for original/committed amounts of less than \$500 thousand. This indicates the bank's responsiveness to providing small business lending.

| <b>Borrower Distribution Of Small Loans To Businesses in AA</b> |              |  |                         |                           |
|---|--------------|--|-------------------------|---------------------------|
| Business Revenues   | ≤\$1,000,000 | Loans by Original Amount Regardless of Business Size |                         |                           |
| % of AA Businesses  | 67%          | <\$100,000   | >\$100,000 to \$500,000 | >\$500,000 to \$1,000,000 |
| % of Bank Loans in AA by #                                      | 65%          | 70%  | 30%                     | 0%                        |

*Table 4-bank generated reports.*

### Geographic Distribution of Loans

The distribution of residential real estate loans by income level of the geography is excellent. As shown below in table 4, the bank's distribution of residential real estate loans in moderate-income geographies significantly exceeds the percentage of owner occupied housing in moderate-income geographies.

| Geographic Distribution of Residential Real Estate and Commercial Loans in AA |                                |                      |                                |                      |                                |                      |                                |                      |
|---|--------------------------------|----------------------|--------------------------------|----------------------|--------------------------------|----------------------|--------------------------------|----------------------|
| Census Tract Income Level   | Low                            |                      | Moderate                       |                      | Middle                         |                      | Upper                          |                      |
| Loan type   | % of AA Owner Occupied Housing | % of Number of Loans | % of AA Owner Occupied Housing | % of Number of Loans | % of AA Owner Occupied Housing | % of Number of Loans | % of AA Owner Occupied Housing | % of Number of Loans |
| Residential real estate   | NA                             | NA                   | 44                             | 83                   | 56                             | 17                   | NA                             | NA                   |

Table 5-bank generated reports and 2000 US Census.

The geographic distribution of business loans is reasonable in relation to the number and distribution of small businesses in the AA. The number and dollar volume of lending in moderate-income census tracts is responsive to the demographics. The geographic distribution of business loans is detailed in Table 6.

| Geographic Distribution of Loans to Businesses in the AA |                    |                      |                    |                      |                    |                      |                    |                      |
|--|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|
| Census Tract Income Level                                | Low                |                      | Moderate           |                      | Middle             |                      | Upper              |                      |
| Loan Type  | % of AA Businesses | % of Number of Loans | % of AA Businesses | % of Number of Loans | % of AA Businesses | % of Number of Loans | % of AA Businesses | % of Number of Loans |
| Commercial loans   | NA                 | NA                   | 90                 | 86                   | 10                 | 14                   | NA                 | NA                   |

Table 6 -bank generated reports and 2000 US Census.

### Community Development Loans

The bank's level of Community Development Lending is good. During this evaluation period, FNB originated three loans that met the definition of Community Development (CD). Although two of the loans are not in the bank's AA, they have the potential to benefit the AA. Therefore, the activity described below had a positive impact on the bank's lending performance.

FNB has granted a \$250 thousand loan to a local health association for short term operating capital to make improvements to area health clinics. One of these health clinics is located in Dozier, which provides medical care to all individuals including low- and moderate-income residents. In March 2005, the bank agreed to participate in a \$600 thousand loan to another health care authority with proceeds used for improvements to an area hospital. The third loan is a \$173 thousand participation loan to a local development authority for short-term capital to

facilitate business incentives for new Hyundai suppliers.

**Self-Assessment**

Senior bank management prepares an annual CRA Self-Evaluation. We reviewed the March 7, 2005 Self-Evaluation that assessed management's efforts to meet the credit needs of their community for the preceding 12 months. Their analysis was in-depth and contained detailed information on demographics, local economy, and banking competition in the AA and its surrounding area. This demonstrates management's commitment and responsiveness to meet the credit needs of the bank's community.

**Responses to Complaints**

Management has not received any CRA related complaints since our last examination. However, an informal response process is in place to address such complaints when they are received.

**Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of illegal discrimination or other illegal credit practices.