



**Comptroller of the Currency
Administrator of National Banks**

**Small
Bank**

Washington, DC 20219

PUBLIC DISCLOSURE

September 14, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank
Charter No. 18373**

**110 West Main Street
Ashdown, Arkansas 71822**

**Office of the Comptroller of the Currency
Southwestern District
1600 Lincoln Plaza, 500 North Akard
Dallas, Texas 75201-3394**

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** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **September 14, 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, satisfactory penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>The First National Bank</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	Geographic distribution by income tract is not meaningful for analysis purposes since all areas are middle or upper income.		
Response to Complaints	No complaints received.		

DESCRIPTION OF INSTITUTION

The First National Bank (FNB) is located in Ashdown, Arkansas. FNB reported total assets of \$62 million as of June 30, 1998, and is the largest bank located in Ashdown. FNB is an affiliate of First National Security, a multi-bank holding company. The bank's primary competition in the assessment area consists of three branches of financial institutions headquartered in Texarkana, Arkansas. Financial information was not available on the branch locations for these institutions. FNB has two branches, one in Ashdown, AR and the remaining one in Foreman, AR. Both branches are full service, i.e. lending and deposit services. The branch located in Ashdown has a 24 hour automated teller machine.

FNB's primary loan product is residential real estate loans. The loan portfolio composition as of June 30, 1998, is as follows:

Loan Type	\$ Volume (000)	% of Portfolio
Real Estate Loans	\$15,160	45%
Consumer Loans	8,468	25%
Commercial Loans	6,094	18%
Agricultural Loans	4,067	12%
TOTAL	\$33,789	100%

FNB offers convenient banking hours and has a variety of loan and deposit products to meet the service needs in the assessment area. There are no financial constraints that prohibit the bank from meeting assessment area credit needs.

DESCRIPTION OF THE ASSESSMENT AREA

The assessment area consists of Little River County which consists of the following towns, Ashdown and Foreman. According to 1990 U.S. Census demographic data, Little River county has a population of 13,966. The assessment area consists of three block numbering areas (BNA's), one of which is a middle-income BNA and the remaining two are upper-income BNA's.

The income designations of the census tracts are based on the MFI of \$22,092 per year, according to 1990 Census Bureau data. The 1997 Department of Housing and Urban Development (HUD) estimated MFI in Arkansas at \$30,100. The HUD estimated MFI

is used to determine the income level of individual applicants and is updated annually. The table below provides the economic breakdown of the geographies and families located in the bank's assessment area.

The First National Bank - Little River County															
Low-Income				Moderate-Income				Middle-Income				Upper-Income			
Census Tracts		Families		Census Tracts		Families		Census Tracts		Families		Census Tracts		Families	
0	0%	745	19%	0	0%	619	16%	1	33%	642	16%	2	66%	1,924	49%

Source: Demographic Data - 1990 U.S. Census

Income levels are defined as follows: low-income= less than 50% of MFI (\$30,100); moderate-income= 50% to 79% of MFI, middle-income= 80% to 119% of MFI; and upper-income= more than 120% of MFI.

The local economy is stable and is primarily centered in timber-related products and agriculture. The major industry in the assessment area is a paper mill, Georgia Pacific, which has 1240 employees. Many Ashdown residents commute to Texarkana for employment. 1990 business demographic data indicates 282 businesses in the assessment area, with 216 businesses or 77% having sales of \$1 million or less; however, revenue information was not reported for some businesses. The July 1998 unemployment rate for Little River County was 6.6%, and the unemployment rate for the state of Arkansas was 5%.

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 remained fairly steady since the June 19, 1995 evaluation. The ratio has averaged 59% from June 30, 1995 to June 30, 1998. There were no similarly-situated institutions in the bank's assessment area. Two other financial institutions have branches in the assessment area, but loan data is not available for comparison purposes.

Lending in Assessment Area

A majority of loans originated were made in the bank's assessment area. The table below gives the distribution of all loans originated inside and outside the assessment

area from January 1, 1997 through March 31, 1998.

DISTRIBUTION OF LOANS IN ASSESSMENT AREA (AA) 1-1-97 THROUGH 3-31-98				
LOCATION	NUMBER	PERCENT	AMOUNT	PERCENT
INSIDE AA	1,347	75%	13,805,110	66%
OUTSIDE AA	453	25%	7,111,723	34%
TOTAL	1,800	100%	20,916,833	100%

The CRA officer performs a quarterly analysis of the geographic distribution of all loans made during each quarter, and a written report is presented to the Board annually.

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

The distribution of borrowers reflects, given the demographics of the assessment area, satisfactory penetration among individuals of different income levels (including low- and moderate-income). For this analysis, a sample of 37 consumer and residential real estate loans originated from January 1, 1998, to August 31, 1998, were used to determine the income distribution of borrowers.

Distribution of Loans in Assessment Area by Borrower Income								
Income Levels	Low		Moderate		Middle		Upper	
		%		%		%		%
Family Characteristics	745	19%	619	16%	642	16%	1,924	49%
Number of Loans	5	13.5%	5	13.5%	10	27%	17	46%
Dollar Volume(\$000's)	\$19	4%	\$13	3%	\$207	45%	\$218	48%

A sample of 25 business loans and 10 farm loans was used to determine if FNB is making loans to businesses and farms of different sizes. From the sample taken, FNB has a satisfactory record of making loans to small businesses and farms. Out of the 25 businesses sampled in the assessment area, 19 reported gross annual revenues of less than \$1 million. Out of the 10 farm loans in the assessment area, all reported gross annual revenues of less than \$1 million.

Geographic Distribution of Loans

This Office did not perform a geographic distribution analysis of the bank's lending performance during the examination. The analysis would not be meaningful since all BNA's in the assessment area are designated as middle or upper-income.

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 secured and unsecured consumer loans. No evidence of discrimination or disparate treatment was noted during this review. FNB is in technical compliance with fair lending laws and regulations.