

Public Disclosure

November 18, 1999

Community Reinvestment Act Performance Evaluation

**Northwest National Bank
Charter Number 23126**

**113 SE 2nd Avenue
Gravette, Arkansas 72736**

**Comptroller of the Currency
Midwestern District
Kansas City South Field Office
1710 East 32nd Street
Joplin, Missouri 64804**

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 Northwest National Bank, Gravette, Arkansas prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of November 18. 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.

Northwest National Bank is helping to meet the credit needs of its assessment area.

- The bank's loans are reasonably distributed to borrowers of various income levels.
- The majority of the bank's loans are made within its assessment area.
- The bank's loan-to-deposit ratio is reasonable based on its competitive environment and opportunities for loan growth within the assessment area. The loan-to-deposit ratio since the last Performance Evaluation has averaged 87%.

DESCRIPTION OF INSTITUTION

Northwest National Bank is located in Gravette, Arkansas. It has \$20.4 million in total assets, of which net loans are \$16 million (79% of total assets), according to the September 30, 1999, Report of Condition. The bank is locally owned, but not by a holding company. The bank has a full service branch in Bella Vista, Arkansas that opened in March of 1998. Automated teller machine (ATM) services are provided in Gravette, Bella Vista, and also in Pineville, Missouri. The bank offers a variety of loan products, including consumer, commercial, and residential real estate. Consumer and residential real estate loans are the primary focus of the bank's portfolio. Conclusions are based on a sample of consumer, commercial, and residential real estate loan originations from October 1997 through September 1999. Twenty loans were sampled from each of these primary product lines. There are no legal impediments or other factors, including the financial condition of the bank, which hinder the bank's ability to fulfill its CRA obligation. The bank received a "Satisfactory record of meeting community credit needs" at its last Performance Evaluation dated October 8, 1997.

Loan Portfolio as of September 30, 1999		
Loan Type	Dollar Amount (\$000)	Percent
Construction & Development	1,119	7%
1 - 4 Family Residential	9,318	58%
Commercial Real Estate	1,337	9%
Commercial	1,811	11%
Consumer	2,414	15%
Other Purposes	73	0%
Total	16,072	100%

Loan Originations by Type since August 1997				
Loan type	#	%	\$ (in 000's)	%
Consumer	835	77%	15,130	55%
Commercial	33	3%	3,607	13%
Real Estate	214	20%	8,578	32%
Total	1,082	100%	27,315	100%

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area (AA) consists of Benton County. The AA contains 25 Census Tracts (CTs) and is located in the Fayetteville/Springdale/Rogers Metropolitan Statistical Area. There are no low-income or moderate-income tracts in the AA. CTs in the AA are designated middle- (23 CTs or 92%) or upper-income (2 CTs or 18%). The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. Ten banks and several large bank branches, which range in size from \$40 million to \$600 million, provide competition within the AA.

The AA has a population of 97,499 and includes 37,517 households. Low-income families represent 15% of the AA population with the remainder as follows: 20% moderate-income, 26% middle-income, and 39% upper-income families. Approximately 10% of the total households fall below the poverty level income. The county unemployment rate is less than 2%. The estimated 1999 MSA median family income for the AA is \$42,500. The percentage of owner-occupied housing is 66%, and the median housing value is \$57,355. Small manufacturing, retail businesses, and service businesses dominate the economy of this area. Major employers in the AA include Wal-Mart, businesses around Northwest Regional Airport, school districts, medical facilities, and services. The bank identified the primary credit needs of the area as installment and residential real estate credit.

Examiners interviewed two community contacts to discuss the community's credit needs. One contact was in city administration and other was a realtor. The contacts identified housing, and development of new businesses as the needs in the community. The contacts said the banks are doing a good job supporting the community development efforts. They also indicated economic conditions in the county are strong and growth is county wide. However, most new businesses are in or near Bentonville, Bella Vista, and the airport. The population of Gravette is slightly more than 1,600. Approximately 80% of the workforce commutes elsewhere to work.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

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

Northwest National Bank's performance of lending to borrowers of different incomes and businesses of different sizes is reasonable. Examiners reviewed a sample of the bank's primary product types, consumer and residential real estate loans. Additionally, examiners reviewed a sample of commercial loans. Based on a sample of loan origination from October 1997 through September 1999, management has responded favorably to the credit needs of its assessment area by originating loans to low- and moderate-income borrowers, as well as small businesses. The tables on the following page summarize originations by number and dollar amount of loans to each income designation within the AA. And originations by number and dollar amount of commercial/industrial loans.

Sample of Consumer Loan Originations					
Income Designation for Borrower	% of families in Income Category	Originations by \$ (in 000's)	Dollars as a percent of total	Originations by #	Number of loans as percent of total
Low	15%	\$61	32%	7	35%
Moderate	20%	\$41	21%	8	40%
Middle	26%	\$63	33%	3	15%
Upper	39%	\$27	14%	2	10%
Total	100%	\$ 192	100%	20	100%

Sample of Residential Real Estate Originations					
Income Designation for Borrower	% of families in Income Category	Originations by \$ (in 000's)	Dollars as a percent of total	Originations by #	Number of loans as percent of total
Low	15%	\$81	4%	1	5%
Moderate	20%	\$228	10%	4	20%
Middle	26%	\$897	41%	8	40%
Upper	39%	\$999	45%	7	35%
Total	100%	\$2,205	100%	20	100%

The percent of residential real estate originations is reasonable because the majority of home construction and purchases is in the Bella Vista market. This area is predominately a retirement community experiencing rapid growth. Very few low- or moderate-income families live in this area.

Sample of Commercial/Industrial Loan Originations				
Revenue Size	# in AA	% of Businesses in the AA	# of Originations from sample	% of Originations in sample
Businesses w/revenues less than \$1 million	3,604	91%	16	80%
Businesses w/revenues greater than \$1 million	344	9%	4	20%
Totals	3,948	100%	20	100%

Based on our sample, annual sales of less than \$1 million for small businesses are further segregated

as follows:

Gross Revenue	#	% by #	\$ (in 000's)	% by \$
< \$100M	4	25%	\$279	15%
\$100 < \$250M	5	31%	\$260	15%
\$250 < \$1MM	7	44%	\$1,248	70%
Totals	16	100%	\$1,787	100%

Geographic Distribution of Loans

An analysis of the geographic distribution of the bank's loans within the AA would not be meaningful. All CTs in the AA are middle- or upper-income. Northwest National Bank's geographic distribution of credit within the assessment area is satisfactory.

Lending in Assessment Area

Northwest National Bank's record of lending within its assessment area is reasonable. A majority of all loans made are located within the AA. The primary credit products were determined to be consumer and residential real estate loans. Examiners also sampled commercial loan originations. Based on our sample of originated loans since the last examination, 82% by number and 72% by dollar amount are within the bank's AA. The following tables reflect the specific findings by product line:

Percent of Originations by Number & Dollar								
	Consumer		Real Estate		Commercial		Total	
	#	\$	#	\$	#	\$	#	\$
In the assessment area	80%	79%	85%	83%	70%	62%	82%	72%
Out of the assessment area	20%	21%	15%	17%	30%	38%	18%	28%

Loan-to-Deposit Ratio

Northwest National Bank's loan-to-deposit ratio is reasonable. The quarterly loan-to-deposit ratio since the last Performance Evaluation has averaged 87%. The bank's loan to deposit ratio has ranged from 81% in second quarter 1998 to a high of 99% the third quarter of 1999. The average loan-to-deposit ratios of banks in the AA have averaged 72%, ranging from 47% to 104%.

Record of Compliance with Antidiscrimination Laws

Northwest National Bank is in compliance with the applicable anti-discrimination laws. No violations of fair lending laws were found from a review of automobile loans. The scope of our fair lending review compared the loan terms of all approved single females to all approved single males from October 1998 through September 1999.

Response to Complaints

Northwest National Bank has not received any complaints from the public since the last CRA evaluation.