

## **PUBLIC DISCLOSURE**

**October 12, 1999**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**First National Bank of Hope  
Charter Number 12533**

**Second and Walnut Streets  
Hope, Arkansas 71801**

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

**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 Hope** prepared by **the Office of the Comptroller of the Currency**, the institution's supervisory agency, as of October 12, 1999. 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.

- , Reasonable loan to deposit ratio of 63% given the bank's size and in comparison with local financial institutions.
- , A substantial majority of the bank's lending is within the assessment area.
- , The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- , No geographic distribution of loans was performed since all block numbering areas are designated middle-income.
- , The bank has received only one formal complaint since the previous examination, and this was satisfactorily resolved.

## DESCRIPTION OF INSTITUTION

First National Bank Hope (FNBH) has a main office and three branches located in Hope. The bank has not opened or closed a branch since the previous CRA evaluation. The main office and all of the branches have drive-up facilities. All the banking locations except the main office have automated teller machines (ATMs). Lending services are available only at the main office. As of June 30, 1999, the bank reported total assets of \$115 million with \$64 million in total loans.

The bank's primary business focus is agricultural (cattle and poultry) and agricultural real estate loans, residential home loans, and commercial and commercial real estate loans. The loan portfolio composition as of June 30, 1999, is as follows:

<b>Loan Type</b>	<b>\$ Volume (000)</b>	<b>% of Portfolio</b>
Agriculture	\$15,593	24%
1-4 Family Residential	21,027	34%
Commercial and Commercial Real Estate	17,617	28%
Consumer	8,639	14%
<b>TOTAL</b>	<b>63,676</b>	<b>100%</b>

Source: 6-30-99 Call Report

FNBH 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 impediments that would limit the bank's ability to meet the credit needs in its assessment area.

The bank is 100% owned by First National Bancshares of Hempstead County, Inc., a three-bank holding company with total assets of \$156 million as of June 30, 1999. This Office conducted the previous CRA evaluation as of December 21, 1995, and the bank was rated "Satisfactory."

## DESCRIPTION OF HEMPSTEAD COUNTY, ARKANSAS

The bank's assessment area is Hempstead County, Arkansas. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low-and moderate-income geographies. There are five block numbering areas (BNAs) in the assessment area, all of which are designated middle-income areas.

According to 1990 Census Data, Hempstead County had a population of 21,621. Hope is the county seat and largest city in the county with a population of 9,643. In 1990, the median family income (MFI) for non-Metropolitan Statistical Areas (MSA) in Arkansas was \$22,420. The 1990 MFI income figure is used to determine the income level of individual BNAs.

The Department of Housing and Urban Development (HUD) estimated that the median family income in Arkansas for 1998 and 1999 was \$30,100 and \$31,800, respectively. The HUD estimated MFI is updated annually and is used to determine the income level of individual applicants. The following table shows the distribution of BNAs and families in the bank’s assessment area based on 1990 Census data and 1999 HUD income information:

Hempstead County BNAs and Families Distribution															
Low-Income				Moderate-Income				Middle-Income				Upper-Income			
BNA		Families		BNA		Families		BNA		Families		BNA		Families	
0	0%	1,367	22%	0	0%	1,257	21%	5	100%	1,258	21%	0	0%	2,198	36%
\$15,899 and Under				\$15,900 - \$25,439				\$25,440 - \$38,159				\$38,160 and Over			

Source: 1990 U.S. Census & 1999 HUD

The local economy is stable. The August 1999 unemployment rate for Hempstead County was 5.3%. The August 1999 unemployment rate for the state of Arkansas was 4.8%, and the national unemployment rate was 4.2%. Hope’s economy is centered in light manufacturing, timber operations, chicken production, and cattle. Major employers include: Tyson Foods, Inc., (poultry processing, 1,700 employees), Meyer’s Bakery (food products, 800 employees), Klipsch, Inc., (stereo speakers, 400 employees), and SMI Joist (steel joists, 400 employees).

According to the 1990 Census data, 62% of the housing units are owner-occupied. The median housing value is \$34,534 with 1968 as the median year built. About 23% of the population has income below the poverty level.

A community contact with a local business organization revealed no specific unmet credit needs. According to the community contact, banks in the area are willing to meet credit requests.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

### Loan-to-Deposit Ratio

The loan-to-deposit (L/D) ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. There are three local banks in Hempstead County (FNBH, Citizens National Bank of Hope, and the Bank of Blevins), branches of non-local financial institutions, and the Farm Service Association (FSA). The Bank of Blevins has total assets of \$15 million, and is located 20 miles north of Hope. It is affiliated with FNBH, but is not similarly situated since it serves primarily the Blevins area. Although FSA competes for rates and terms, Citizens National Bank of Hope is FNBH's primary competitor, and is considered similarly situated since they both serve Hempstead County and surrounding areas. The following table shows total assets (as of June 30, 1999) and the average loan-to-deposit ratio from June 30, 1996 to June 30, 1999 (13 quarters) of the two similarly situated banks in the assessment area.

<b>Institution</b>	<b>Total Assets (Millions)</b>	<b>Avg. L/D Ratio</b>	<b>Number of Offices</b>
Citizens National Bank, Hope, AR	\$260	52%	6
First National Bank, Hope, AR	\$115	63%	3

Source: Call Reports

### Lending in Assessment Area

The geographic distribution of loans is based on a sample of 80 loans consisting of 20 loans each for business (commercial), farm, installment (consumer) and 1-4 family residential real estate loans. Based on this sample, a substantial majority of loans, especially by number of loans, were made in the bank's assessment area. Lending within the assessment area is detailed in the following table.

Distribution of Loans in Assessment Area (AA) October 1, 1998 through September 30, 1999								
LOAN TYPE	Within AA				Outside AA			
	#	%	\$(000)	%	#	%	\$(000)	%
Installment	18	90%	\$57	70%	2	10%	\$24	30%
RE Home Purchase	18	90%	\$578	93%	2	10%	\$41	7%
Commercial	17	85%	\$1,394	81%	3	15%	\$335	19%
Farm	18	90%	\$2,636	85%	2	10%	\$472	15%
<b>Total</b>	71	89%	\$4,665	84%	9	11%	\$872	16%

Source: OCC Loan Sample

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

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low-and moderate-income) and businesses of different sizes. Thirty-six loans, consisting of 18 installment and 18 home purchase mortgage loans, were used to determine the bank's record of lending to borrowers of different income levels. The table below shows the distribution by borrower income levels for the number and dollar volume of loans originated from October 1, 1998 through September 30, 1999:

Distribution of Real Estate and Consumer Loans by Borrower Income in Assessment Area								
Income Levels	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
Family Characteristics	1,367	22%	1,257	21%	1,258	21%	2,198	36%
# RE Home Purchase	0	0%	3	17%	8	44%	7	39%
\$ RE Home Purchase	\$0	0%	\$82,694	14%	\$212,170	37%	\$283,341	49%

# Installment Loans	7	39%	4	22%	5	28%	2	11%
\$ Installment Loans	\$18,615	33%	\$10,241	18%	\$21,990	39%	\$5,675	10%

Sources: 1990 U.S. Census Data & OCC Loan Sample

Real estate lending at 17% (by number) and 14% (by dollar volume) for low-and moderate-income borrowers are relatively low in relation to the percent of the population that is low-and moderate-income at 43%. This lower than average number is due to the low volume of conventional home loan products, and borrowers not qualifying based on loan terms, such as downpayment requirements. For installment loans, the volume of low-and moderate-income borrowers by number at 61%, and by dollar at 51%, are above the low-and moderate-income population.

Based on the sample of 20 business and 20 farm loans taken during this examination, FNBH has a satisfactory record of making loans to farms and businesses of different sizes. Of the 18 farm loans made within the assessment area, 100% were made to small farms with gross annual revenues of \$1 million or less. Of the 17 business loans made within the assessment area, 11 or 65% by number and \$578,000 or 41% by dollar volume were made to small businesses with gross annual revenues of \$1 million or less. The 1990 Business Demographic data reports 48 farms and 712 businesses in the assessment area of which 41 (85%) farms and 499 (70%) businesses have gross annual revenues of less than \$1 million.

### **Geographic Distribution of Loans**

The geographic distribution of loans was not performed since all BNAs in the assessment area are designated middle-income.

### **Response to Complaints**

First National Bank of Hope has received one formal complaint since the previous examination. The complaint was handled in a satisfactory manner.

### **ADDITIONAL INFORMATION**

#### **Discrimination or Other Illegal Credit Practices**

A Fair Lending review was conducted in conjunction with the bank's CRA performance. A sample of auto loans originated in the last six months was reviewed for terms given to males versus females. No evidence of discrimination or disparate treatment was noted during the review.

