

## **PUBLIC DISCLOSURE**

September 20, 1999

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

**Parish National Bank  
Charter Number 15642**

**600 South Columbia Street  
Bogalusa, Louisiana 70427**

**Office of the Comptroller of the Currency  
New Orleans Field Office  
3838 North Causeway Boulevard, Suite 2890  
Metairie, Louisiana 70002**

**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 Parish National Bank prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of September 20, 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**.

Factors supporting Parish National Bank's rating are:

- A substantial majority of the bank's loans are in its assessment area.
- The bank has a good loan-to-deposit ratio given its asset size, financial condition, and competition.
- The distribution of loans to individuals of different incomes and businesses of different sizes is good.
- The overall geographic distribution of home, consumer, and business related loans is reasonable. This conclusion is based primarily on the bank's residential, small business, and consumer lending patterns in St. Tammany Parish and consumer and small business lending in Washington Parish.

## DESCRIPTION OF INSTITUTION

Parish National Bank (Parish NB) is an independent, locally-owned bank with \$278 million in total assets and a net loans to total assets ratio of 66% as of June 30, 1999. The bank was chartered in 1968 in Bogalusa, Louisiana, where the main office remains. Corporate headquarters are in Covington. Parish NB operates eight banking offices in four parishes - Jefferson, St. Tammany, Tangipahoa, and Washington. Parish NB also operates 22 ATMs throughout the four parish area. Jefferson Parish and Tangipahoa Parish each have one branch with an ATM, Washington Parish has two branches and four ATMs, and the remaining four branches and eight ATMs are in St. Tammany Parish.

Parish NB's lending focus is on commercial real estate loans, residential lending, and small business and consumer loans. The following table shows the distribution of Parish NB's loan portfolio.

<b>Distribution of Loan Portfolio as of June 30, 1999</b>		
	<i>Outstanding (000)</i>	<i>Percent of Total Loans</i>
Commercial Real Estate	82,890	45.0%
Residential Loans	58,057	31.5%
Consumer Loans	25,501	13.8%
Commercial Loans	17,287	9.4%
Other Loans	592	0.3%
<b>Total Loans</b>	<b>184,327</b>	<b>100.0%</b>

Parish NB faces strong competition in all markets from community banks, credit unions, savings banks, and branches of large banks such as Hibernia National Bank, Bank One, and Whitney National Bank. At the last CRA examination, dated February 7, 1996, the bank's CRA rating was "Satisfactory". Parish NB has no legal or financial impediments that prevent it from meeting community credit needs.

## DESCRIPTION OF ASSESSMENT AREA

The assessment area of Parish NB consists of Jefferson Parish, St. Tammany Parish, Tangipahoa Parish, and Washington Parish. This designation meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies. Lesser weight was placed on lending in Jefferson Parish and Tangipahoa Parish because the bank's locations in these parishes are relatively new and lending activity is nominal in these two parishes. A total of 176 geographies are in the four parishes, and all except one is categorized below. The following table shows the income distribution of census tracts and families in the four parishes.

Income Distribution of CTs and Families															
Low-Income				Moderate-Income				Middle-Income				Upper-Income			
CT		Families		CT		Families		CT		Families		CT		Families	
5	3%	36,982	19%	30	17%	29,051	15%	81	46%	38,053	20%	59	34%	88,429	46%

Source: 1990 U.S. Census.

The following table indicates a steadily improving economy for the state and the four parishes that make up Parish NB's assessment area. Jefferson Parish and St. Tammany Parish have an unemployment rate that is below both state and national averages. Tangipahoa Parish and Washington Parish have an unemployment rate that is above both the state and national averages.

Comparison of Assessment Area Unemployment Trends to State and National Trends*				
	1996	1997	1998	1999**
Jefferson Parish	5.3%	4.7%	4.1%	3.5%
St. Tammany Parish	5.0%	4.4%	3.6%	3.1%
Tangipahoa Parish	9.3%	7.9%	7.7%	6.5%
Washington Parish	8.2%	7.8%	7.4%	6.2%
State of Louisiana	6.6%	5.9%	5.4%	4.7%
National	5.4%	4.9%	4.5%	4.4%

\* Source: Louisiana Labor Market Information, Dept. of Labor and U.S. Bureau of Labor Statistics

\*\* Average based monthly data through June, 1999



## **ST. TAMMANY PARISH**

This parish is in the New Orleans MSA and has 33 census tracts (CTs). Three or 9% are moderate-income, 17 or 52% are middle-income, and 13 or 39% are upper-income. This parish has no low-income tracts. Covington is the parish seat and Slidell has the largest population. The parish's population was estimated at 183,727 as of July, 1998, a 27% increase from the 145,164 noted in the 1990 U.S. Census. The Census median family income (MFI) was \$29,212 and the updated MFI is \$40,400 for the New Orleans MSA. Population for year 2000 is projected to reach 211,423. Major employers are the service industry, the medical sector and government. The economy is very active and being led by the service and retail sectors, followed closely by residential and commercial real estate markets. Based on actual sales in the first six months of 1998, the average home price is over \$143 thousand in west St. Tammany and over \$111 thousand in east St. Tammany, making this parish the most expensive in the New Orleans MSA. The current market values for housing in this parish have increased from 40-80% since the Census when the median housing value was \$78,082. As a result, the ability of moderate-income families to purchase a home in St. Tammany Parish is difficult without some type of down payment assistance, and significantly more difficult for low-income families.

St. Tammany was selected for onsite review because a majority of the bank's branches and loans are in this parish.

## **WASHINGTON PARISH**

This parish is not in an MSA. Washington Parish has 10 block numbering areas (BNAs). Two or 20% are moderate-income, and 8 or 80% are middle-income. This parish has no low-income or upper-income tracts. The Census MFI for non-MSA areas was \$21,178 and the updated MFI is \$29,500. Franklinton is the parish seat, and Bogalusa has the largest population. The parish's population was estimated at 44,341 for July 1998, a 3% increase from the 43,185 noted in the 1990 U.S. Census. Major employers are the service industry, manufacturing, and retail trade. The economy is growing slowly.

Washington Parish was selected for onsite review because the bank has been established in this community for over 30 years and a significant amount of consumer lending occurs in this parish.

## **JEFFERSON PARISH**

This parish is in the New Orleans MSA and has 116 census tracts. Five or 4% of the tracts are low-income, 20 or 17% are moderate-income, 47 or 41% are middle-income, and 43 or 37% are upper-income tracts. One tract is not categorized. Gretna is the parish seat and Kenner has the largest population. The Census MFI was \$29,212 and the updated MFI is \$40,400. The parish's population was estimated at 453,165 as of July 1998, a 1% increase from the 1990 Census population of 448,306. Major employers are construction, services and tourism, health and medicine area, and the

retail sector. The parish economy is stable.

## **TANGIPAHOA PARISH**

This parish is not in an MSA. This parish has 17 BNAs. Four or 23% are moderate-income, 11 or 65% are middle-income, and 2 or 12% are upper-income. This parish has no low-income tracts. Amite City is the parish seat, and Hammond has the largest population. The population of the parish was estimated at 95,510 as of July 1998, an 11% increase from the 85,709 reported in the 1990 Census. The Census MFI for non-MSA areas was \$21,178 and the updated MFI is \$29,500. Major employers are education, medicine, food processing/distribution, and manufacturing. The economy is growing moderately.

## **COMMUNITY CONTACTS**

The OCC performed four community contacts during this performance evaluation. One was with an affordable housing group based in St. Tammany Parish. This group identified the major credit need as low-interest loans to low-income people and the major banking need as education regarding credit and deposit accounts. An economic development group that is also based in St. Tammany believes financial institutions are meeting credit needs. A contact from Washington Parish indicated a need for less onerous documentation requirements for small business loan applicants. The fourth contact was in Tangipahoa and spoke of a need for credit card merchant services and small commercial financing for small home-based businesses as well as a flexible small business loan program for minority-owned businesses.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

### **LENDING IN AND OUT OF THE ASSESSMENT AREAS**

Parish's performance in this category exceeds the standard for satisfactory performance. A substantial majority of the bank's loans are made in the assessment areas. HMDA data for 1997, 1998, and year-to-date August 31, 1999 shows that 73% of the number of loans and 80% of loan dollars were originated in the assessment areas. A review of bank data for consumer loans originated on a quarterly basis in 1997 and 1998 shows that 95% of loan numbers and dollars were originated in the assessment areas. All commercial loans in a sample of 20 that originated since the prior evaluation are in the four parishes.

### **LOAN TO DEPOSIT RATIO**

Parish NB's net loan-to-deposit (L/D) ratio meets the standard for satisfactory performance. The ratio is good, given the bank's asset size, financial condition, and competition. The average L/D ratio for the 14 quarters is 68%. Comparisons could be made only for the prior 13 quarters since data for March, 1996 was unavailable for other area banks. The most comparable institution has an average L/D ratio of 79% over this period.

This bank is most comparable because of its business focus, its size, and the markets it serves. The other banks are comparable because they operate in the same markets and/or because of their size. It is noted, however, that none is truly similarly situated. The following table shows all institutions used for reviewing Parish's performance under this category.

<b>Comparison of Loan-to-Deposit Ratios</b>				
<i>Bank Name</i>	<i>Main Office</i>	<i>Total Assets June, 1999</i>	<i>13 Quarter Average</i>	<i>L/D Ratio June, 1999</i>
Parish National Bank	Bogalusa	278,222	69%	72%
First Guaranty Bank	Hammond	251,030	68%	71%
Central Progressive Bank	Amite	160,562	79%	88%
Citizen's Savings Bank	Bogalusa	111,559	92%	95%
Citizen's Bank and Trust	Covington	60,744	53%	62%

Source: Uniform Bank Performance Reports

## **LENDING TO INDIVIDUALS AND BUSINESSES OF DIFFERENT INCOMES**

The distribution of loans to persons of different incomes, with emphasis on low- and moderate-income lending is reasonable. Lending to businesses of different sizes, with emphasis on small businesses is good. This conclusion is based on a review of three primary product lines. These include all HMDA reported loans for 1997, 1998 and year-to-date August 31, 1999, bank reports which contain all consumer loans originated in the first month of each calendar quarter in 1997 and 1998, and a sample of 20 commercial loans originated since the prior evaluation.

### Performance in St. Tammany Parish

The following table shows the distribution of consumer and residential loans originated in St. Tammany Parish based on the income of the borrower and compared to the demographic distribution of families. The table reflects consumer lending performance that is consistent with or exceeds the comparable demographic benchmark. The bank made 16.8% of the number of consumer loans to low-income persons compared to 17.7% of the families in the parish being classified as such, and the bank made 23.5% of its consumer loans to moderate-income customers compared to 15.4% categorized as such.



The table also shows residential lending to low-income borrowers that lags the comparable figure and lending to moderate-income borrowers that exceeds the comparable ratio. While the bank's HMDA lending performance to low-income borrowers appears to lag the area's distribution, it is noted that the significant rise in housing values has reduced the affordability of the homes for low- and moderate-income families. Parish's market share to low- and moderate-income borrowers either approximates or exceeds its overall market share for home improvement and home purchase loans made in 1997 and 1998. The bank's lending performance to low- and moderate income borrowers is good when compared to its competition in St. Tammany Parish. For example, Parish NB ranked #1 in market share for home improvement loans originated to low-income individuals in 1997.

<b>Distribution by Income Group in St. Tammany Parish</b>										
	<b>Low Income Families</b>		<b>Moderate Income Families</b>		<b>Middle Income Families</b>		<b>Upper Income Families</b>		<b>Total # of Families</b>	
<b>Area Demographic Characteristics</b>	17.7%		15.4%		20.8%		46.1%		100%	
<b># of Families</b>	21,067		18,307		24,767		54,294		119,065	
<b>Loan Type</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Consumer</b>	110	16.8	154	23.5	147	22.5	243	37.2	654	100%
<b>Residential</b>	75	9.7	130	16.8	192	24.8	376	48.7	773	100%
<b>Total</b>	185	13.0	284	19.9	339	23.7	619	43.4	1,427	100%

\* Source: 1990 U. S. Census

#### Performance in Washington Parish

The following table shows the distribution of consumer and residential loans originated in Washington Parish based on the income of the borrower and compared to the demographic distribution of families. The table reflects consumer lending performance that is somewhat lower than or that exceeds the comparable demographic benchmark. The bank made 22.6% of the number of consumer loans to low-income persons compared to 27.1% of the families in the parish being classified as such, and the

bank made 25.8% of its consumer loans to moderate-income customers compared to 16.0% categorized as such. On a combined basis, lending to low- and moderate-income borrowers (48.4%) exceeds the combined demographic figure (43.1%).

The table also shows residential lending to low- and moderate-income borrowers that is inconsistent with the comparable figure. Bank management has stated that strong competition in this parish is the major reason for the absence of residential lending activity by the bank. Although the bank does not have very many HMDA reportable loans, Parish originated 58 home related loans totaling \$4.3 million that were sold in the secondary market for 1996, 1997, 1998, and year to date 1999. These loans were not reported on the bank's HMDA report since Parish did not make the actual credit decision.

<b>Loan Sample Distribution by Income Group in Washington Parish</b>										
	<b>Low Income Families</b>		<b>Moderate Income Families</b>		<b>Middle Income Families</b>		<b>Upper Income Families</b>		<b>Total # of Families</b>	
<b>Area Demographic Characteristics*</b>	27.1%		16.0%		18.5%		38.4%		100%	
<b># of Families</b>	3,157		1,863		2,151		4,480		11,651	
<b>Loan Type</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Consumer</b>	69	22.6	79	25.8	69	22.6	89	29.0	306	100%
<b>Residential</b>	0	0.0	0	0.0	1	100	0	0.0	1	100%
<b>Total</b>	69	22.5	79	25.7	70	22.8	89	29.0	307	100%

Source: 1990 U. S. Census

The distribution of commercial loans in the sample favors small businesses. Out of a sample of 20 loans made since the previous performance evaluation, 95% were made to small businesses, i.e. those businesses with gross annual revenues of less than \$1 million. This compares favorably with business demographic data as of 1997 from Dun & Bradstreet, Inc. for the four-parish area which shows that 90% of all businesses are small businesses.

## GEOGRAPHIC DISTRIBUTION

Three primary product lines were analyzed - HMDA reported loans for 1997, 1998 and year-to-date August 31, 1999, a sample of 20 commercial loans originated since the prior evaluation, and a sample of 40 consumer loans that the bank originated in 1997 and 1998 in the parishes of St. Tammany and Washington.

The overall geographic distribution of home, consumer and business related loans is reasonable. This conclusion is based primarily on the bank's residential, small business, and consumer lending patterns in St. Tammany Parish and consumer and small business lending in Washington Parish.

The bank made virtually all of its HMDA reportable loans in St. Tammany Parish. Bank management attributes this significant lending gap to a much smaller home market and intense competition in Washington Parish. A table for Washington Parish is not presented because the bank made only one residential loan for \$4 thousand in a moderate-income BNA. However, as noted earlier, Parish originated 58 home purchase and refinance loans totaling \$4.3 million in Washington Parish that were sold in the secondary market.

The following table contains the distribution of home loans made in St. Tammany Parish based on the income category of their geographies. The table shows that residential lending performance in St. Tammany Parish is reasonable. The low level of owner-occupied housing in moderate-income tracts indicates that residential lending opportunities in these tracts are limited. In the moderate tracts, the bank originated 5.2% of the number and 3.7% of loan dollars compared to 7.2% of the housing in moderate-income census tracts being owner-occupied. Parish's market share in moderate-income census tracts either approximates or exceeds its overall market share for both home improvement and home purchase loans. For example, Parish NB's overall home purchase market share equals 2.95% while its market share in moderate income census tracts equals 3.52% in 1998.

<b>Distribution by Income Group as Compared to Owner Occupied Housing in St. Tammany Parish</b>					
	<b>Low Income Tracts</b>	<b>Moderate Income Tracts</b>	<b>Middle Income Tracts</b>	<b>Upper Income Tracts</b>	<b>Total # of Tracts</b>

<b>Area Demographic Characteristics</b> *	0%		7.2%		52.4%		40.4%		100%	
<b># of Units</b>	0		5,504		29,116		23,373		57,993	
<b>Loan Type</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Residential #</b>	0	0	42	5.2	429	53.3	334	41.5	805	100%
<b>Residential \$000</b>	0	0	1,696	3.7	20,244	43.5	24,555	52.8	46,465	100%

\* Source: 1990 U. S. Census

The distribution of commercial lending is consistent with demographic data for the assessment areas. Throughout the four assessment areas, 1.5% of businesses are in low-income tracts, 18.2% are in moderate-income tracts, 42.8% are in middle-income tracts, and 37.5% are in upper-income tracts. In terms of numbers of loans, 20% are located in moderate-income CTs, 50% are in middle-income CTs, and 30% are in upper-income CTs. In terms of loan dollars, 26% are in moderate-income CTs, 51% are in middle-income CTs, and 28% are in upper-income CTs. No commercial loans in the sample were made in low-income tracts. The lack of commercial loans in low-income areas is because all low-income tracts are in Jefferson Parish, where the newest branch was opened February 1999.

The consumer loan distribution for loans made in St. Tammany Parish and Washington Parish are reasonable. The volume of consumer loans originated in Washington Parish (31.8%) is considered reasonable when compared to deposits gathered from this area (30.5%). In moderate-income tracts, the bank made 5.0% of the number and 7.2% of loan dollars in St. Tammany Parish compared to 8.8% of the parish population living in these tracts. In Washington Parish, the bank made 30.0% of the number and 30.8% of loan dollars in moderate-income BNAs, compared to 22.3% of the parish population living in these BNAs. Further analysis indicates that the bank's lending had penetrated most tracts in the two parishes. There was no activity in low-income tracts because there are no such tracts in either of these two parishes.

## **RESPONSE TO COMPLAINTS**

Parish NB has not received any complaints since the prior evaluation regarding its CRA performance.

## **FAIR LENDING ANALYSIS RESULTS**

No violations of the substantive provisions of the antidiscrimination laws and regulations were identified. A second review process is in place to ensure the criteria used by the bank are fairly applied on a consistent basis to all applicants.