



## **PUBLIC DISCLOSURE**

September 14, 1998

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

**First National Bank of Huntsville  
Charter Number 8952**

**104 South Hughes  
Huntsville, Arkansas 72740**

**Comptroller of the Currency  
Midwestern District  
Kansas City South Field Office  
1710 East 32nd Street, Suite H  
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 the **First National Bank of Huntsville**, 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.**”

First National Bank of Huntsville continues to meet the credit needs of its assessment area.

- The bank’s loans are reasonably distributed to borrowers of various income levels.
- The bank’s loan-to-deposit ratio is reasonable based on its competitive environment and the opportunities for loan growth within the assessment area. The loan-to-deposit ratio since the last Performance Evaluation (June 1995) has averaged just under 50%.
- The bank has an excellent record of lending within the assessment area. Approximately 89% of all extensions of credit are granted to borrowers located within the bank’s assessment area.
- No consumer complaints have been received by the bank since the last Performance Evaluation.

## DESCRIPTION OF INSTITUTION

First National Bank of Huntsville is a \$78 million, independent, family-owned bank located in Huntsville, Arkansas. The bank has two branch locations, and offers drive-up facilities and an automated teller machine (ATM) at the main bank location. The War Eagle branch, located on the square in Huntsville, is a limited service branch. A full service branch is located in Hindsville, approximately 10 miles west of Huntsville. The bank offers a full range of traditional personal and commercial banking services, with the primary lending focus on consumer, agriculture, and residential real estate. There are no legal or financial impediments limiting the bank's ability to help meet the credit needs of the community. First National Bank of Huntsville was rated "Satisfactory record of meeting community credit needs" in the last Performance Evaluation dated June 19, 1995.

The majority (70%) of extensions of credit by the First National Bank of Huntsville are consumer or agriculture related loans, with an average size of \$6,000. The following table details the loan portfolio by loan type.

<b>Loan Portfolio as of June 30, 1998</b>				
<b>Loan Type</b>	<b>Number</b>	<b>Percent</b>	<b>Dollar Amount (\$000)</b>	<b>Percent</b>
<b>Construction &amp; Development</b>	11	0%	394	1%
<b>1 - 4 Family Residential</b>	315	12%	6,608	20%
<b>Farmland</b>	226	8%	9,299	30%
<b>Commercial Real Estate</b>	59	2%	2,510	8%
<b>Ag Production</b>	451	17%	4,595	15%
<b>Commercial</b>	212	8%	2,213	7%
<b>Consumer</b>	1,425	53%	6,021	18%
<b>Other Purposes</b>	12	0%	500	1%
<b>Total</b>	<b>2,711</b>	<b>100%</b>	<b>32,140</b>	<b>100%</b>

## DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area, with a population of 23,000, consists of Madison County (census tract numbers 9601, 9602, 9603, and 9604), and the three northeast block numbering areas (BNAs) in Washington County (101.01, 101.02, 101.03). All census tracts in the assessment area are middle-income tracts. The main bank and both branches are located within the assessment area. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low and moderate-income tracts. Two other banks and Farm Credit Services are located in the assessment area and provide considerable competition for loan products.

Low and moderate-income families represent 18% and 19% of the assessment area's population, and middle and upper-income families represent 24% and 38%, respectively. The estimated 1998

median family income for non-Metropolitan Statistical Areas in Arkansas is \$34,471. The percentage of households below poverty level in the assessment area is 16%. The weighted average of the median housing value is \$46,047 and 71% of the housing consists of owner occupied units. The Madison County economy is generally centered in lumber, poultry, and cattle and enjoys a low unemployment rate of 3.5% as of July 1998. However, management stated a large number of the population commutes to the Springdale, Fayetteville, and Rogers area for employment and uses banking services located in those communities.

Two community contacts, located in the assessment area, were interviewed during the examination. The contacts indicated all credit needs of the community were met in a satisfactory manner. In addition, the contacts believed the majority of the area residents were typically non-borrowing depositors which explains the historical low loan demand within the assessment area.

### CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

#### *Comparison of Credit Extended Inside and Outside of the Assessment Area*

The bank's record of lending within the assessment area is excellent. Based on internally generated lending performance reports, a majority of all loans made at this bank are located within the assessment area. The following tables summarize these findings for 1996, 1997, and the first six months of 1998.

Loan Originations by Number						
	1996		1997		Jan-Jun 1998	
	Number		Number		Number	
In the assessment area	1,929	89%	1,766	90%	799	88%
Out of the assessment area	251	11%	207	10%	112	12%
<b>Total</b>	<b>2,180</b>	<b>100%</b>	<b>1,973</b>	<b>100%</b>	<b>911</b>	<b>100%</b>

Loan Originations by Dollars						
	1996		1997		Jan-Jun 1998	
	Amount (\$000)		Amount (\$000)		Amount (\$000)	
In the assessment area	*	*	17,435	94%	7,641	89%
Out of the assessment area	*	*	1,203	6%	936	11%
<b>Total</b>	<b>*</b>	<b>*</b>	<b>18,638</b>	<b>100%</b>	<b>8,577</b>	<b>100%</b>

\*Information not available

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

The bank's performance of lending to borrowers of different incomes and to businesses of different sizes is good. Based on internally generated lending performance reports, management has

responded favorably to the credit needs of its assessment area by originating loans to low and moderate-income borrowers, as well as to small businesses. The following table summarizes originations by the number of loans to each income designation within the assessment area.

<b>Retail Consumer Lending Activity by Borrower Income Level</b>			
<b>Borrower Income Level</b>	<b># of Loans</b>	<b>% of Total Loans</b>	<b>Percent of Families in Income Category</b>
Low-Income	110	44.53%	18.42%
Moderate-Income	68	27.53%	19.08%
Middle-Income	47	19.03%	24.09%
Upper-Income	22	8.91%	38.41%
<b>Total</b>	<b>247</b>	<b>100%</b>	<b>100%</b>

This table reflects the distribution of commercial/agricultural loans by gross revenue size to the number of loan originations for the same time period.

<b>Distribution of Commercial/Agricultural Loans by Revenue Size</b>				
<b>Revenue Size</b>	<b>Number</b>	<b>Percent</b>	<b>Dollar Amount (\$000)</b>	<b>Percent</b>
\$0 to \$25M	97	34%	598	16%
\$25M to \$50M	105	37%	1,142	30%
\$50M to \$75M	54	19%	541	14%
\$75M to \$1MM	28	10%	1,086	29%
Greater than \$1MM	2	1%	426	11%
<b>Total</b>	<b>286</b>	<b>100%</b>	<b>3,793</b>	<b>100%</b>

### ***Loan-to-Deposit Analysis***

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 48%. The bank's loan-to-deposit ratio has ranged from 44% in the second quarter of 1995 to a high of 52% in the third quarter of 1997. The average loan-to-deposit ratio of all institutions within the assessment area is 62%, with the other institutions' loan-to-deposit ratio ranging from 66% to 72%. However, these other institutions are significantly smaller in asset size and may extend credit outside of Madison and Washington Counties. While First National Bank of Huntsville reflects a lower loan-to-deposit ratio than the average, a majority of the loans granted are less than \$5,000 in size (average loan size of the entire portfolio is \$11,855) and are centered in consumer and small business type loans.

<b>Loan Originations by Dollar Amount and Percent of Portfolio</b>			
<b>\$ Amount of Loan</b>	<b>1996</b>	<b>1997</b>	<b>Jan - Jun 1998</b>

	#	%	#	%	#	%
<b>0 to 4,999</b>	1,331	61%	1,149	58%	536	59%
<b>5,000 to 9,999</b>	408	19%	385	20%	177	19%
<b>10,000 to 19,999</b>	230	11%	221	11%	101	11%
<b>20,000 to 29,999</b>	91	4%	78	4%	34	4%
<b>30,000 to 49,999</b>	64	3%	69	4%	37	4%
<b>50,000 +</b>	66	3%	66	3%	28	3%
<b>Total</b>	2,190	100%	1,968	100%	913	100%

***Distribution of Credit Within the Assessment Area by Geography***

An analysis of the geographic distribution of the bank's loans within the assessment area would not be meaningful. All seven block numbering areas in the bank's assessment area are middle-income tracts.

***Compliance with Antidiscrimination Laws and Regulations***

First National Bank of Huntsville is in compliance with the applicable antidiscrimination laws and regulations. No violations were disclosed or revealed at this examination.