



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 23, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Malvern National Bank
Charter No. 23202**

**One Money Street
Malvern, Arkansas 72104**

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

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 Malvern National Bank prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of December 23, 1996. 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.

- ▶ Malvern National Bank's lending performance reflects reasonable responsiveness to its community's credit needs. The bank's average loan-to-deposit ratio is 63%.
- ▶ A substantial majority of loans made are within the bank's designated assessment area.
- ▶ Distribution of borrowers in the assessment area demonstrates reasonable penetration among individuals of different income levels and businesses of different sizes.
- ▶ The geographic distribution of loans reflects excellent dispersion of the assessment area in Garland County. The geographic distribution for Hot Spring County was not meaningful since all of the block numbering areas (BNAs) are designated as middle income BNAs.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>Malvern 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		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans	X		
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

Malvern National Bank (MNB) is located in Malvern, Arkansas in Hot Spring County. At September 30, 1996, the bank reported total assets of \$192 million (loans represent 57% of total assets). The loan portfolio consists of the following mix of loans as of September 30, 1996: 54% real estate and agriculture, 14% commercial, 27% consumer, and 5% miscellaneous. MNB's business focus is residential real estate loans, small business loans, and consumer lending. MNB is the fourth largest bank in the assessment area, and the second largest in the city of Malvern. MNB has four branches with 24 hour automated teller machines (ATM), and two separate stand-alone ATMs. The branches are located in the cities of Malvern and Hot Springs which are in the designated assessment area. The main office and Hot Springs branch offer all banking services. The remaining branches are strictly deposit-taking facilities.

In 1994, MNB developed a "low-to-moderate housing" program. At present, the bank has six loans in this program totaling \$169 thousand. The bank originates FHA or VA guaranteed mortgage loans, but the volume has been nominal. There are no legal or other impediments which limit the bank's ability to meet the credit needs of the community.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area consists of two adjacent counties: Hot Spring County and Garland County.

HOT SPRING COUNTY

Hot Spring County has a population of 26,115 according to 1990 census information. The county has seven BNAs none of which are low income BNAs. All BNAs are considered middle-income (income levels are between 80% and 120% of the median family income). The 1996 statewide median family income is \$27,300.

The local economy is supported by light manufacturing businesses, timber, and aluminum processing. The manufacturing sector is widely diversified with no company employing more than 300 people in this area. Primary credit needs are 1-4 family residential real estate, consumer loans, and small farm and small business loans.

GARLAND COUNTY

Garland County has a population of 73,397 according to 1990 census information. The County is made up of 19 BNAs with the following income categories: four moderate-income BNAs, seven middle-income BNAs, and eight upper-income BNAs. There are

no BNAs designated as low-income.

The local economy is primarily supported by tourism-related activities, i.e., local horse-racing track and other recreational activities. Primary credit needs are 1-4 family residential real estate, consumer loans and small business loans.

Two community contacts were made during the examination. One contact was with a representative of a local organization that provides housing assistance to low income individuals. The other contact was with a local political leader. Contacts indicated a need for affordable housing in the area and a need for small business loans. Overall, the contacts felt that area banks are responsive to credit needs in the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

LOAN-TO-DEPOSIT

MNB has a reasonable lending performance. The average loan-to-deposit ratio since the January 1994 examination is 63%. The loan-to-deposit ratio has fluctuated since January 1994 between 62% and 67%. Loan-to-deposit ratios range from 60% to 67% for other similarly-situated lending institutions in the assessment area. MNB's loan-to-deposit ratio is reasonable in light of local economic and demographic data for the outlined assessment area.

ASSESSMENT AREA CONCENTRATION

MNB tracks the location of all credit originations (except large consumer loans) by the borrower's address. Management does not track the location of consumer loans over \$1,000; however, consumer loans do not presently represent a significant dollar amount of all credit originations. Examiners reviewed MNB's internal analysis of credit extensions made from September 1, 1996 through November 30, 1996, which was verified for accuracy. This sample (344 loans) consisted of residential real estate loans, consumer loans less than \$1,000, and small business and small farm loans. A substantial majority (85% or 293 loans) of the institutions lending was conducted within its assessment area. By dollar volume, 83% of these loans were within the bank's assessment area.

GEOGRAPHIC DISTRIBUTION OF LOANS

Hot Spring County

A geographic distribution analysis was not performed for this county as it would not be meaningful. All census tracts in the assessment area are considered middle-income; therefore, plotting loans in a geographical analysis would not be representative of the specific income of individuals in specific geographies. Although an analysis was not performed, it did not appear that any areas of the community had been arbitrarily excluded.

Garland County

A review of the bank’s geographic distribution of loans in Garland County reveals an excellent dispersion of loans throughout the county. There were no significant under-represented areas of lending in Garland County based on the 88 loans reviewed. Approximately 28% (25 loans) of the bank’s lending is to moderate income BNAs, 30% (26 loans) to middle income BNAs, and 42% (37 loans) to upper income BNAs. Garland County has no designated low income BNAs.

BORROWERS’ PROFILE

The loan distribution to borrowers of different income levels, small farms and small businesses is reasonable for the bank’s assessment area. A sample of 209 loans shows that the bank extends credit to borrowers of different income levels. The sample also included loans made to small businesses and small farms. The following two charts depict the number of loans by borrower income for both Hot Spring and Garland counties based on the sample of 209 loans reviewed.

Hot Spring County - Loans by borrower income

	LOW < \$13.7	MODERATE \$13.7 - \$21.6	MIDDLE \$21.8 - \$32.4	UPPER >\$32.8
# OF LOANS	35	34	33	68
% OF LOANS BY COUNTY	21%	20%	19%	40%

Census data for 1990 indicates Hot Spring County has the following family income characteristics: 20% low-income families, 17% moderate-income families, 23% middle-income families, and 41% upper-income families.

Garland County - Loans by borrower income

	LOW < \$13.7	MODERATE \$13.7 - \$21.6	MIDDLE \$21.8 - \$32.4	UPPER >\$32.8
# OF LOANS	1	7	9	22
% OF LOANS BY COUNTY	3%	18%	23%	56%

Census data for 1990 indicates Garland County has the following family income characteristics: 17% low-income families, 16% moderate-income families, 20% middle-income families, and 47% upper-income families.

DISCRIMINATION OR OTHER ILLEGAL CREDIT PRACTICES

The Fair Lending procedures performed during this evaluation disclosed no violations of the substantive provisions of the antidiscrimination laws and regulations.