

PUBLIC DISCLOSURE

December 16, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**National Bank of the South
Charter # 22777**

**1101 Greensboro Avenue
Tuscaloosa, Alabama 35401**

Office of the Comptroller of the Currency

**Southeastern District
Marquis One Tower, Suite 600
245 Peachtree Center Avenue, N.E.
Atlanta, Georgia 30303**

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 **National Bank of the South** prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of December 16, 1996. 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**.

National Bank of the South demonstrates satisfactory CRA performance based on the bank's reasonable average loan-to-deposit ratio, high level of lending inside the bank's assessment area, and reasonable geographic distribution of loans.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>NATIONAL BANK OF THE SOUTH</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	No complaints were received since the prior examination	No complaints were received since the prior examination

DESCRIPTION OF INSTITUTION

National Bank of The South (NBS) is a full-service bank located in Tuscaloosa, Alabama. Tuscaloosa is the county seat and primary population center of Tuscaloosa County. The bank had total assets of \$33 million as of September 30, 1996. It is 100 percent owned by First National Corporation of West Point, a two-bank holding company headquartered in West Point, Mississippi. NBS operates two banking offices. Both offices, the main office and branch location, are located in Tuscaloosa. The bank's loan mix consists of 46 percent one-to-four family residential, 10 percent construction and development, 7 percent non-farm and non-residential real estate, 7 percent commercial and industrial, and 30 percent consumer. As of this examination date, there are no legal or regulatory impediments that would affect the bank's lending capacity or ability to help meet the credit needs of the assessment area.

Tuscaloosa County is well serviced by seven other commercial banks (including four regional branches), two savings and loans, and eleven credit unions. Bank management estimates that NBS holds less than 3 percent of the market share in Tuscaloosa County.

DESCRIPTION OF THE TUSCALOOSA COUNTY ASSESSMENT AREA

NBS's assessment area (Metropolitan Statistical Area 8600) consists entirely of Tuscaloosa County, Alabama. The bank's assessment area complies with the Community Reinvestment Act and does not arbitrarily exclude low- and moderate-income (LMI) geographies. The metropolitan cities of Tuscaloosa and Northport represent approximately 63 percent of the county's population. Census data for 1990 shows an assessment area population of 150,522 with 55,045 households. Tuscaloosa County consists of 30 census tracts of which two tracts are considered low-income, seven moderate-income, twelve medium-income, eight high-income, and one unclassified. The median family income for the Tuscaloosa County Metropolitan Statistical Area is \$35,100.

The local economy is supported by retail/wholesale trade, manufacturing, education, and service industries. Major area employers are the University of Alabama (education), DCH Regional Medical Center (medical), Jim Walter Resources (mining), and Uniroyal Goodrich (tire manufacturing). According to the Alabama Department of Industrial Relations July 1996 data, unemployment levels in Tuscaloosa County are among the lowest in the state at 3.74 percent.

During the examination, the Office of the Comptroller of the Currency (OCC) contacted one individual representing private industry in Tuscaloosa County. We also used a community contact made during another local financial institution's OCC examination. Both contacts spoke favorably of the local financial institutions' involvement in meeting the credit needs in the community. They indicated that the most pressing credit needs in the community are affordable housing loans, home buyer counseling programs, flexible and creative residential lending programs for first time home buyers and low- and moderate-income individuals, and

small business loan programs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

- NBS's performance under the Community Reinvestment Act is satisfactory. This conclusion is based on a reasonable loan-to-deposit ratio, a high level of lending within the assessment area, and reasonable lending activity throughout the assessment area.

This performance assessment was based on information obtained from the September 30, 1996 Uniform Bank Performance Report, bank prepared geographical analysis, and 1990 census data for Tuscaloosa County. Additional information was obtained from community contacts and discussions with bank management. Information obtained from management was reviewed and tested for accuracy.

LOAN-TO-DEPOSIT (LTD) RATIO

- NBS's quarterly average LTD ratio is considered reasonable given the bank's size, financial condition, and the assessment area's credit needs.

NBS's quarterly average LTD ratio since opening in May of 1994 is 57.21 percent. This ratio has steadily increased since the bank's opening. On September 30, 1996 the LTD ratio was 84.65 percent.

COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE THE ASSESSMENT AREA

- A substantial majority of the bank's lending activities is to borrowers within the bank's assessment area.

A review of the 1994, 1995, and year-to-date 1996 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs) was performed. This review revealed that 94.29 percent of the number and 90 percent of the dollars of outstanding loans were extended to borrowers within Tuscaloosa County.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

- NBS's record of lending to borrowers of different income levels, including low- and moderate-income individuals is satisfactory. NBS also satisfactorily lends to small businesses within its assessment area.

Census data from 1990 shows that 42 percent of Tuscaloosa County households are considered LMI. A combined sample of HMDA-LAR and installment loans reveals that 12 percent of the 100 loans reviewed were made to borrowers with low- and moderate-incomes.

Although this lending pattern is negatively disproportionate to the income demographics, consideration is given to the bank's relatively recent charter and subsequently low but increasing level of lending to LMI individuals. As a result, NBS is determined to meet the standards for satisfactory performance in this assessment criterion.

NBS demonstrates a willingness to lend to small businesses. Approximately 27 percent of the commercial loans sampled were made to businesses with revenues totaling less than one million dollars.

GEOGRAPHIC DISTRIBUTION OF LOANS

- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area, including low- and moderate-income census tracts.

Of the 30 census tracts in the bank's assessment area, two are considered low-income and seven moderate-income. These nine LMI census tracts contain 26 percent of the households in Tuscaloosa County. A management prepared CRA report shows that approximately 25 percent of the number of mortgage loans made since October 1, 1995 were in low- and moderate-income census tracts. A review of lending activity in other income geographies reveals a reasonable penetration in medium and upper-income census tracts as well. The 1994-1996 HMDA-LARs review shows that 19 percent of the 99 assessment area loans were to LMI area residents.

REVIEW OF COMPLAINTS

The bank has not received any written complaints regarding its performance under CRA.

RESULTS OF FAIR LENDING REVIEW

Our fair lending review did not identify any violations of the substantive provisions of the antidiscrimination laws and regulations. The bank has policies and procedures in place which provide satisfactory guidance on fair lending requirements.