



Comptroller of the Currency
Administrator of National Banks

Public Disclosure

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Community Reinvestment Act Performance Evaluation

**The First National Bank of El Dorado
Charter Number: 7046**

**101 East Main Street
El Dorado, Arkansas 71731**

**Office of the Comptroller of the Currency
Little Rock Duty Station
10201 West Markham Street, Suite 105
Little Rock, Arkansas 72205-2180**

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.

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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 CRA performance of **The First National Bank of El Dorado (FNB)** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **June 3, 1997**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Community Reinvestment Act (CRA) - The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Metropolitan Statistical Area (MSA) - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

Block Numbering Area (BNA) - Statistical subdivisions of counties in which census tracts have not been established. BNAs have been established by the U.S. Census Bureau, in conjunction with state agencies.

Home Mortgage Disclosure Act (HMDA) - A statute that requires certain mortgage lenders that do business or have banking offices in a MSA to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, and its disposition (e.g., approved, denied, withdrawn).

Median Family Income (MFI) - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of census tracts. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Low-Income - Income levels that are less than 50% of the MFI.

Moderate-Income - Income levels that are at least 50% and less than 80% of the MFI.

Middle-Income - Income levels that are at least 80% and less than 120% of the MFI.

Upper-Income - Income levels that are 120% or more of the MFI.

Small Business Loans - Loans with an original amount of \$1 million or less for which the bank is required to collect and report certain monitoring data under the CRA regulation.

Small Farm Loans - Loans with an original amount of \$500 thousand or less for which the bank is required to collect and report certain monitoring data under the CRA regulation.

CRA Rating

Institution’s CRA Rating: This institution is rated “Satisfactory.”

The major factors which support this rating include:

- ▶ The good responsiveness to the credit needs of FNB’s assessment area, as reflected in the volume of small business, consumer and home mortgage loan originations within the assessment area.
- ▶ The good penetration of FNB’s loan originations throughout assessment area geographies and excellent penetration among retail customers of different income levels and business customers of different sizes.
- ▶ FNB’s excellent record of serving the credit needs of low-income individuals and very small businesses, consistent with safe and sound banking practices.
- ▶ A low level of community development investments and grants.
- ▶ A service delivery system that is accessible to essentially all portions of FNB’s assessment area.
- ▶ An adequate level of community development services, based on the limited opportunities available within FNB’s assessment area.

The following table indicates the performance level of **The First National Bank of El Dorado** with respect to the lending, investment, and service tests:

Performance Levels	The First National Bank of El Dorado Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High satisfactory	X		
Low satisfactory			X
Needs to improve		X	
Substantial noncompliance			

* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

Description of Institution

The First National Bank of El Dorado (FNB) is a large community bank based in the southern Arkansas town of El Dorado. As of December 31, 1996, FNB reported total assets of \$286 million. FNB is a wholly owned subsidiary of First United Bancshares, Inc. (FUB), a multi-bank holding company based in El Dorado, Arkansas. As of December 31, 1996, FUB reported total assets of approximately \$1.5 billion. In addition to FNB, FUB subsidiaries include 10 other community banks operating in Arkansas and Texas and a trust company. All of the subsidiary banks are operated as independent community banks.

In addition to the main office, FNB has five branch offices within the assessment area. All of the offices are located within the city limits of El Dorado. FNB also operates five proprietary automated teller machines (ATMs) located at the main office and four of the branches.

FNB's primary business focus is on commercial lending. The bank also offers a variety of retail products including mortgage loans and consumer loans. As of December 31, 1996, gross loans approximated \$87 million. The loan portfolio is centered in commercial and industrial loans (42 percent), loans to individuals (23 percent) and loans secured by 1-4 family residential properties (15 percent). FNB sells the majority of qualifying residential mortgage loans to the secondary market. As such, the current balance of loans secured by 1-4 family residential properties reported does not fully disclose FNB's volume of activity for this product.

There are no financial impediments which would hamper FNB's ability to help meet the credit needs of its assessment area. It is noted, however, that FNB has experienced substantial loan losses in its consumer loan portfolio in the last three years. This has led to a tightening of credit standards and a reduced focus on such lending. The Arkansas Usury Law could impede FNB's ability to receive an adequate return on loans to the highest risk borrowers. The law limits the interest rate that financial institutions can charge on consumer loans to 5% over the Federal Discount Rate.

FNB's CRA performance was last evaluated as of June 30, 1994. At that time, FNB's overall performance was rated "satisfactory."

Description of the Assessment Area

Union County Assessment Area															
Low-Income				Moderate-Income				Middle-Income				Upper-Income			
Geographies		Families		Geographies		Families		Geographies		Families		Geographies		Families	
0	0%	2,552	20%	1	10%	1,872	14%	4	40%	2,294	18%	5	50%	6,268	48%

FNB has identified Union County as its assessment area. Union County is a non-MSA county located in south Arkansas. According to 1990 U.S. Census data, the county has a total population of 46,719. Union County is comprised of ten BNAs. One is defined as moderate-income, four as middle-income and five as upper-income BNAs. There are no BNAs defined as

low-income. The moderate-income BNA includes the southwest quadrant of the city of El Dorado. The four middle-income BNAs include the northeast and southeast quadrants of the city of El Dorado and the northwest corner and eastern edge of Union County. The five upper-income BNAs include the northwest quadrant of the city of El Dorado (2 BNAs), with the remaining located outside of the city of El Dorado. Refer to Table 1 in **Appendix B** for additional demographic information regarding the number of small businesses, small farms, 1-4 family owner occupied units and families, by geography.

According to 1990 U.S. Census data, the median family income for the Arkansas nonmetropolitan statewide area, of which Union County is a part, is \$22,420. This is the income level used to determine the income level of the geographies within Union County. HUD's 1996 updated median family income for the area is \$27,300. This is the income level used to determine the income level of families in Union County. Low- and moderate-income families are spread throughout the ten BNAs that comprise the assessment area, with the highest concentrations in the middle-income BNA located in the southeast quadrant of the city (18%) and the moderate-income BNA located in the southwest quadrant of the city (12%). Approximately 87% of the housing units in Union County are occupied, with 64% of those being owner-occupied. The median housing value is \$39,800. The median year built is 1961.

The economic conditions in El Dorado and the surrounding area is relatively stable. As of June 1996, the unemployment rate in Union County was 5.1%, below the state rate of 6.7%. Once largely dependent on oil and gas production, the employment base has diversified and now includes the following industries: poultry, timber, and light manufacturing. Major employers are ConAgra (poultry), South Arkansas Medical Center (hospital), Great Lakes (chemical production), ENSCO (environmental incinerator), and Lion Oil (oil company). Nonfarm businesses represent 99% (1,709) of total businesses in Union County. Approximately 73% (1,251) of these businesses have revenues of less than \$1 million.

Competition in Union County is provided primarily by another locally headquartered national bank (National Bank of Commerce of El Dorado), a locally headquartered state bank which is an affiliate of a regional bank holding company (Citizens First Bank), branches of a nonlocal thrift (First Financial) and several brokerage houses. As FNB is more than twice the size of both of the other locally headquartered banks, neither are considered to be similarly situated to FNB.

Community contacts conducted by our office, as well as those conducted by other federal banking regulators, included meetings with a local real estate developer, real estate agent and the local Chamber of Commerce. In speaking with the community contacts, affordable housing was identified most often as a need in the community. We did not identify any active community development initiatives related to affordable housing in Union County. In addition, the small size, rural nonmetropolitan nature and general lack of sophistication, as it relates to community development, limits the availability of community development opportunities within the assessment area.

Conclusions with Respect to Performance Tests

LENDING TEST

In assessing lending performance, we focused on FNB's lending activity; assessment area concentration; geographic distribution of loans; borrower profile; responsiveness to credit needs of economically disadvantaged geographies, low-income persons or small businesses; community development lending; and, product flexibility.

Conclusions:

- ▶ FNB's lending level reflects a good responsiveness to assessment area credit needs.
- ▶ A substantial majority of FNB's loans are made in its assessment area.
- ▶ The distribution of FNB's loans reflects good penetration throughout assessment area geographies and excellent penetration among retail customers of different income levels and business customers of different sizes.
- ▶ FNB exhibits an excellent record of serving the credit needs of low-income individuals and very small businesses, consistent with safe and sound banking practices.
- ▶ FNB has made an adequate level of community development loans, based on the limited opportunities available in the assessment area.

FNB has collected and reported loan data for small business and small farm loan originations in 1996. In addition, FNB has contracted with an outside vendor to maintain data on consumer and home mortgage loan originations. At the time of our evaluation, data regarding consumer and home mortgage loan originations from January 1, 1995 through June 30, 1996 was available for review. Consumer loans include loans secured by motor vehicles, other secured, other unsecured and home equity loans. Our review indicated that consumer loans originated over that period represented 76% percent of the total number and 22% of the total dollar volume of all loans originated. Given the large number of originations (as a percentage of total originations) and the availability of data, we included an analysis of consumer loans in our evaluation of FNB's lending performance. We verified the accuracy of the reported data through the review of limited samples. Refer to **Appendix A** for additional details regarding the scope of our evaluation.

Lending Activity

Since the June 1994 CRA evaluation, FNB's loan-to-deposit ratio has been relatively stable and averaged 41%. This average is comparable to other banks throughout Arkansas of similar size, as well as, community bank's throughout the southern Arkansas region. The ratio is reflective of the relatively weak loan demand for both commercial and retail loans throughout the region.

Small Business and Small Farm Loans

Assessment Area Concentration

Based on bank prepared reports, FNB originated 334 small business and small farm loans totaling approximately \$19 million in 1996. The level of total originations reflects a good responsiveness to assessment area credit needs. A substantial majority of these loans, in terms of both numbers and dollars, were made within FNB's assessment area. The low number of small farm loans reported is reflective of the minimal number of farms located in the assessment area (20). The following table illustrates the volume of originations and their location relative to the assessment area by loan product:

Volume of Small Business and Small Farm Loan Originations Within the Assessment Area						
Loan Product	Total Originations		Within the Assessment Area			
	#	\$ (000s)	#	%	\$ (000s)	%
Small Business	329	\$19,275	323	98%	\$17,377	90%
Small Farm	5	\$135	4	80%	\$36	27%
Totals	334	\$19,410	327	98%	\$17,413	90%

Source: Bank prepared Small Business and Small Farm Data Collection Registers.

Banks began reporting detailed information on small business and small farm loan originations on March 1, 1997. At the time of this evaluation, bank regulatory agencies had not compiled market data based on these reports. As a result, market share analysis of small business and small farm lending within FNB's assessment area was not possible.

Geographic Distribution of Loans within the Assessment Area

The geographic distribution of small business and small farm loans in 1996 reflects a good penetration throughout FNB's assessment area. All geographies were successfully penetrated, with no gaps in lending activity identified. The distribution of loan originations is reflective of

the location of small businesses and small farms throughout assessment area geographies. Refer to Table 1 in **Appendix B** for specific demographic data. The following table illustrates the geographic distribution of loan originations by loan type:

Distribution of Small Business and Small Farm Loan Originations Within the Assessment Area By Income Level of the Geography								
	Low-Income Geographies		Mod-Income Geographies		Middle-Income Geographies		Upper-Income Geographies	
Area Demographic Characteristics	0%		10%		40%		50%	
Count	0		1		4		5	
Loan Product	#	%	#	%	#	%	#	%
Small Business	N/A	N/A	37	11%	90	28%	196	61%
Small Farm	N/A	N/A	1	25%	0	0%	3	75%
Totals	N/A	N/A	38	12%	90	28%	199	61%

Source: Bank prepared Small Business and Small Farm Data Collection Registers.

Refer to Table 2 in **Appendix B** for details regarding the distribution of loan originations by dollar volume.

Distribution of Borrowers within the Assessment Area

The distribution of borrowers for small business loans within FNB’s assessment area reflects an excellent penetration among business customers of different sizes. The following table illustrates the distribution of FNB’s small business loan originations within the assessment area by loan size and business revenues:

Distribution of Small Business Loan Originations Within the Assessment Area By Loan Size and Business Revenues								
	Loan Size				Revenues < \$1,000,000			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
less than \$100,000	283	88%	\$6,217	36%	277	98%	\$5,872	94%
\$100,000 to \$250,000	27	8%	\$4,779	28%	25	93%	\$4,454	93%
\$250,000 to \$1,000,000	13	4%	\$6,381	36%	7	54%	\$2,411	38%
Totals	323	100%	\$17,377	100%	309	96%	\$12,737	73%

Source: Bank prepared Small Business Data Collection Register.

The distribution of borrowers for small farm loans within FNB's assessment area is limited to four loans totaling \$36 thousand. The loans were all made to farms with revenues of less than \$500 thousand. The low level of activity is reflective of the minimal number of farms located in FNB's assessment area (20).

Home Mortgage and Consumer Loans

Assessment Area Concentration

Based on bank prepared reports, FNB originated 3,309 home mortgage and consumer loans totaling approximately \$26 million for the period of January 1, 1995 through June 30, 1996. The level of total originations reflects a good responsiveness to assessment area credit needs. A substantial majority of these loans, in terms of both numbers and dollars, were made within FNB's assessment area. The following table illustrates the volume of originations and their location relative to the assessment area by loan product:

Volume of Home Mortgage and Consumer Loan Originations Within the Assessment Area						
Loan Product	Total Originations		Within the Assessment Area			
	#	\$ (000s)	#	%	\$ (000s)	%
Home Mortgage*	292	\$14,823	284	97%	\$14,468	98%
Consumer*	3,017	\$11,398	2,597	86%	\$9,644	85%
Totals	3,309	\$26,221	3,165	96%	\$24,112	92%

* Includes only those loans that were geo-coded representing 94% of the total number (310) and 92% of the total dollars (\$16MM) of home mortgage loans originated and 89% of the total number (3,387) and 92% of the total dollars (\$12MM) of consumer loan originations.

Banks began reporting detailed information on small business, small farm and consumer (optional) loan originations on March 1, 1997. At the time of this evaluation, bank regulatory agencies had not compiled market data based on these reports. In addition, since the assessment area is located in a non-MSA, home mortgage data required to be collected under HMDA is not available. As a result, market share analysis of home mortgage and consumer lending within FNB's assessment area was not possible.

Geographic Distribution of Loans within the Assessment Area

The geographic distribution of home mortgage and consumer loan originations reflects good penetration throughout FNB’s assessment. All geographies were successfully penetrated, with no gaps in lending activity identified. The following table illustrates the geographic distribution of loan originations by loan type:

Distribution of Home Mortgage and Consumer Loan Originations Within the Assessment Area By Income Level of the Geography								
	Low-Income Geographies		Mod-Income Geographies		Middle-Income Geographies		Upper-Income Geographies	
Area Demographic Characteristics	0%		10%		40%		50%	
Count	0		1		4		5	
Loan Product	#	%	#	%	#	%	#	%
Home Mortgage*	N/A	N/A	19	7%	72	25%	193	68%
Consumer*	N/A	N/A	214	8%	816	31%	1,567	60%
Totals	N/A	N/A	233	8%	888	31%	1,760	61%

* Includes only those loans that were geo-coded representing 94% of the total number (310) and 92% of the total dollars (\$16MM) of home mortgage loans originated and 89% of the total number (3,387) and 92% of the total dollars (\$12MM) of consumer loan originations.

Refer to Table 3 in **Appendix B** for details regarding the distribution of loan originations by dollar volume.

Distribution of Borrowers within the Assessment Area

The distribution of borrowers within FNB’s assessment area is adequate for home mortgage loans and excellent for consumer loans. FNB exhibits an excellent record of serving the retail consumer credit needs of low- and moderate-income families, consistent with safe and sound banking practices. The following table illustrates the distribution of borrowers for consumer and home mortgage loans within FNB’s assessment area:

Distribution of Home Mortgage and Consumer Loans Within the Assessment Area By Income Level of the Borrower								
	Low-Income Families		Mod-Income Families		Middle-Income Families		Upper-Income Families	
Area Demographic Characteristics	20%		14%		18%		48%	
Count	2,552		1,872		2,294		6,268	
Loan Product	#	%	#	%	#	%	#	%
Home Mortgage*	25	8%	53	17%	63	20%	167	54%
Consumer*	532	22%	730	30%	525	22%	642	26%
Totals	557	20%	783	29%	588	21%	809	30%

* Includes only those loans originated within the assessment area that had income information available representing 100% of the number and dollar volume of home mortgage loan originations and 94% of the total number and 98% of the total dollar volume of consumer loan originations.

Refer to Table 4 in **Appendix B** for details regarding the distribution of loan originations by dollar volume.

Other

Community Development Lending

FNB has made an adequate level of community development loans, based on the limited opportunities available within their assessment area. Community development loans are those loans whose primary purpose meets the definition of community development contained in the CRA regulation and that have not been considered in our assessment of small business, small farm, home mortgage or consumer loans.

Based on information provided by the bank, FNB has originated 4 community development loans totaling approximately \$374 thousand. All of the community development loans were for the purchase and/or rehabilitation of multi-family housing units that serve primarily low- and moderate-income families within FNB’s assessment area. The properties provide 40 units of affordable housing.

A review of community contacts conducted by our agency and other federal banking regulatory agencies, discussions with bank management and review of demographic characteristics indicates

that community development lending opportunities are limited in FNB's assessment area. The size, rural nature and lack of sophistication in the community regarding community development all contribute to limitations on available community development lending opportunities. FNB's origination of small business and home mortgage loans meets the most pressing identified needs in the assessment area. In addition, FNB is a certified SBA lender. The origination and distribution of these loans have already been considered in our evaluation of small business and home mortgage lending. Refer to the **Description of the Assessment Area** section of this evaluation for additional performance context information.

Product Innovation

FNB uses flexible lending practices in order to serve the assessment area's credit needs. In an effort to meet the needs for affordable housing in the assessment area, FNB has participated with a local investor who purchases distressed residential real estate properties within the assessment area. The investor repairs the properties and then either sells or rents them to primarily low- and moderate-income individuals. FNB has developed a lending program to provide long term financing to assist some of the investor's better renters whose credit histories prevent them from obtaining conventional financing. FNB requires the investor to pledge a Certificate of Deposit for up to 30 percent of the purchase price of the home for the first three years of the loan. After three years of satisfactory performance, the pledge is released. This arrangement allows FNB to provide conventional home purchase financing to the highest risk borrowers within the assessment area. FNB has financed two loans under this program totaling approximately \$40 thousand. The distribution of these loans has already been considered in our evaluation of home mortgage lending.

FNB also offers other flexible loan products including loans guaranteed by the U.S. Small Business Administration (SBA), Federal Housing Authority (FHA) and Veterans Administration (VA) insured home mortgage loans, and Arkansas Development Finance Authority (ADFA) home mortgage bond program loans (when available). FNB also participates in the Department of Housing and Urban Development's (HUD's) 221-(d)2 home buyers program. This program provides flexible financing to home buyers whose income falls within the low- and moderate-income level. The program reduces the amount of funds necessary to close. These loans have already been considered in our assessment of small business and home mortgage originations. None of these programs are considered innovative.

INVESTMENT TEST

To assess FNB's performance under the Investment Test, we reviewed its investment and grant activity; responsiveness to credit and community development needs; and, its initiatives with community development.

Conclusions:

- ▶ FNB has a low level of qualified community development investments and grants.

Qualifying investments are investments, deposits, membership shares or grants that have as their primary purpose community development as defined in the CRA regulation. Opportunities to make qualified investments within the assessment area are limited. We did not identify any current community development initiatives within the assessment area. Our review of public information for FNB's competitors confirms the lack of ongoing opportunities within the assessment area. Refer to the **Description of the Assessment Area** section of this Evaluation for additional performance context information.

Based on information provided by the bank, FNB's community development investments are limited to four qualifying grants totaling \$21,510 and include the following:

- ▶ Interfaith Health Services, Inc./\$10,000 - Grant to cover initial operating funds for clinic established in a moderate-income area exclusively to address the health care needs of uninsured working low- and moderate-income individuals in Union County.
- ▶ Habitat for Humanity/\$500 - Grant to local organization engaged in affordable housing rehabilitation and construction.
- ▶ Mission of Hope Christian Center/Interfaith Help Services/\$1,020 - Grant to community organizations that promote community development for the benefit of low- and moderate-income individuals through the sponsorship of soup kitchens.
- ▶ Salvation Army/\$10,000 - Grant to non-profit organization serving the community development needs of primarily low- and moderate-income individuals including literacy/education, housing, transportation and child care.

FNB has demonstrated its willingness to invest in the community through its lending and community economic development involvement. Refer to the **Service Test** section of this evaluation for specific examples.

SERVICE TEST

In assessing FNB's performance under the Service Test, we focused on the accessibility of its delivery systems; changes in branch locations; reasonableness of its business hours and services in meeting the needs of its assessment areas; and, level of community development services.

Conclusions:

- ▶ FNB's delivery system is accessible to essentially all portions of its assessment area.
- ▶ FNB's branch opening favorably affected the accessibility of its delivery system.
- ▶ Services offered at FNB offices do not vary in a way that would inconvenience any portions of the assessment area.
- ▶ FNB provides an adequate level of community development services, based on the limited opportunities available within the assessment area.

Retail Banking Services

The quantity, quality and accessibility of FNB's service-delivery system within its assessment area is satisfactory, given its size and scope of operations. In addition to the main office, FNB has five branches located throughout the city of El Dorado. These are commonly referred to as the North, South, East, West and Wal Mart branches. Drive-in services are provided at the North, South, East and West branches. In addition, FNB has proprietary ATMs located at the main office and North, East, West and Wal-Mart branches.

The main office and South and West branches are located in an upper-income BNA in the northwest quadrant of the city of El Dorado. The main office is located directly across from the assessment area's only moderate-income BNA. The North and Wal Mart branches are located in a middle-income BNA in the northeastern quadrant of the city. The East branch is located in a middle-income BNA in the southeastern quadrant of the city. There are no low-income BNA's within FNB's assessment area. Approximately 37% of the low- and 22% of the moderate-income families within the assessment area reside in the BNA's where FNB's main office and branches are located. These ratios are indicative of the wide spread nature of the low- and moderate-income families throughout assessment area geographies. Refer to the **Description of the Assessment Area** section of this Evaluation for additional performance context information.

Since the previous evaluation of CRA performance, FNB opened the Wal Mart branch. The branch is located in a recently opened supercenter in northeast El Dorado. While the branch is located in a middle-income BNA, FNB management feels that the opening of this branch has had a positive impact on all income class levels, especially low- and moderate-income individuals. This conclusion is based on the implied demographics of the customer base that such a large retail supercenter draws on a regional basis. No branches have been closed.

FNB's business hours are reasonable and are appropriate in meeting the assessment area's needs. Services among the main office and branch locations do not vary in a way that inconveniences any portions of FNB's assessment area.

FNB makes use of alternative delivery systems, in an effort to expand the availability of retail banking services throughout the assessment area. These include: proprietary ATMs at the main office and North, East, West and Wal Mart branches; Money Place 24 Card that allows customers access to a nationwide network of ATM's, as well as FNB's proprietary ATMs; and, Hot Line telephone banking service. The Hot Line service allows a FNB customer to receive information regarding their checking, savings and loan accounts, including payment and balance information, by telephone. Customers may also transfer funds among these accounts.

Community Development Services

FNB provides other services in the assessment area whose primary purpose is community development and are related to the provision of financial services. These services include providing technical assistance on financial matters to nonprofit organizations serving low- and moderate-income housing or economic revitalization and development needs; and providing home buyers, financial planning and other financial services education to promote community development and affordable housing. All of the services benefit FNB's assessment area. The following are examples of these services:

Union County Needs Assessment - FNB employees participated in this activity coordinated through the local United Way. The activity included phone solicitation of a cross section of households in Union County to identify the needs of the community, including financial needs. The information gathered assisted non-profit organizations when developing applications for state and federal grants for programs primarily benefiting low- and moderate-income individuals in the assessment area.

Mortgage Loan Training Video - FNB's real estate department developed their own video titled "A Guide to Home Ownership". The video targets primarily first time home buyers. The video (7 copies) is made available for any interested party to check-out and view at home. Since inception in 1995, 54 individuals have viewed the video with over half of those meeting the definition of low- or moderate-income.

Small Business Lending Seminar - Seminar sponsored by FNB designed especially to familiarize small business owners with various financial assistance programs that are available. Included a representative from the SBA who discussed the Low Doc, 504(b) and 7(a) loan programs; and, a representative from the Arkansas Small Business Development Center who discussed services offered by his organization, such as preparing business plans and putting a loan package together.

SBA Seminar - Seminar co-sponsored by FNB and the SBA to familiarize small business owners with various financial assistance programs that are available through the SBA.

Small Business Seminar - Seminar sponsored by the Central Arkansas Development Council in Junction City with participation by FNB. The Council provides technical assistance to organizations and individuals in securing loans and grants that benefit low- and moderate-income areas and individuals. Purpose of the seminar was to encourage and inform individuals who own or who plan to own a small business on the availability of financing at FNB, particularly SBA financing.

Community Banking Seminar/Community Church of God and Christ - Seminar sponsored by FNB and held at a minority church serving primarily low- and moderate-income individuals. The purpose of the seminar was to encourage and educate the congregation about banking services available at FNB. Included was a discussion on personal, mortgage and small business loans. More than 40 people attended this seminar.

Other - FNB also offers free checking accounts. No minimum balance requirement, service charge or per-check charge. Minimum opening balance \$100. The low average balances of these accounts are reflective of the income level of the low- and moderate-income level of the targeted customer group.

Fair Lending Review

No violations of the substantive provisions of the antidiscrimination laws and regulations (Equal Credit Opportunity Act or Fair Housing Act) were identified. FNB's fair lending policies, procedures, training and internal assessment efforts have been effective in assisting lenders in these issues.

Appendix A: Scope of Examination

The scope of our evaluation focused on FNB's activities in its assessment area, Union County. We utilized the CRA Examination Procedures section of the *Comptroller's Handbook* to perform the evaluation. We evaluated activities since the prior evaluation of CRA performance June 30, 1994 through June 3, 1997.

FNB has collected and reported loan data for small business and small farm loan originations in 1996. In addition, FNB has contracted with an outside vendor to maintain data on consumer and home mortgage loan originations. At the time of our evaluation, data regarding consumer and home mortgage loan originations from January 1, 1995 through June 30, 1996 was available for review. Consumer loans include loans secured by motor vehicles, other secured, other unsecured and home equity loans. Our review indicated that consumer loans originated over that period represented 76% percent of the total number and 22% of the total dollar volume of all loans originated. Given the large number of originations (as a percentage of total originations) and the availability of data, we included an analysis of consumer loans in our evaluation of FNB's lending performance. Although our evaluation period covered a time frame greater than 1996, our evaluation of lending focused on activity for the time periods discussed above as an indicator of FNB's performance.

Appendix B: Additional Tables

Table 1.

Distribution of the Number of Small Businesses, Small Farms , 1-4 Family Owner Occupied Units and Families Within the Assessment Area By Income Level of the Geography								
	Low-Income Geographies		Mod-Income Geographies		Middle-Income Geographies		Upper-Income Geographies	
Area Demographic Characteristics	0%		10%		40%		50%	
Count	0		1		4		5	
Demographic Category	#	%	#	%	#	%	#	%
Small Businesses	N/A	N/A	172	14%	445	36%	687	55%
Small Farms	N/A	N/A	3	5%	10	53%	6	32%
1-4 Family Owner Occupied	N/A	N/A	596	6%	3,849	38%	5,763	56%
Families	N/A	N/A	940	7%	4,692	36%	7,355	57%

Table 2.

Distribution of Small Business and Small Farm Loan Originations Within the Assessment Area By Income Level of the Geography								
	Low-Income Geographies		Mod-Income Geographies		Middle-Income Geographies		Upper-Income Geographies	
Area Demographic Characteristics	0%		10%		40%		50%	
Count	0		1		4		5	
Loan Product	\$ (000's)	%	\$ (000's)	%	\$ (000's)	%	\$ (000's)	%
Small Business	N/A	N/A	\$918	5%	\$4,813	28%	\$11,646	67%
Small Farm	N/A	N/A	\$0	0%	\$10	100%	\$0	0%
Totals	N/A	N/A	\$918	5%	\$4,823	28%	\$11,646	67%

Source: Bank prepared Small Business and Small Farm Data Collection Registers.

Table 3.

Distribution of Home Mortgage and Consumer Loan Originations Within the Assessment Area By Income Level of the Geography								
	Low-Income Geographies		Mod-Income Geographies		Middle-Income Geographies		Upper-Income Geographies	
Area Demographic Characteristics	0%		10%		40%		50%	
Count	0		1		4		5	
Loan Product	\$ (000's)	%	\$ (000's)	%	\$ (000's)	%	\$ (000's)	%
Home Mortgage*	N/A	N/A	\$899	6%	\$3,659	25%	\$9,910	68%
Consumer*	N/A	N/A	\$923	10%	\$3,073	32%	\$5,648	59%
Totals	N/A	N/A	\$1,822	8%	\$6,732	28%	\$15,558	65%

* Includes only those loans that were geo-coded representing 94% of the total number (310) and 92% of the total dollars (\$16MM) of home mortgage loans originated and 89% of the total number (3,387) and 92% of the total dollars (\$12MM) of consumer loan originations.

Table 4.

Distribution of Home Mortgage and Consumer Loans Within the Assessment Area By Income Level of the Borrower								
	Low-Income Families		Mod-Income Families		Middle-Income Families		Upper-Income Families	
Area Demographic Characteristics	20%		14%		18%		48%	
Count	2,552		1,872		2,294		6,268	
Loan Product	\$ (000's)	%	\$ (000's)	%	\$ (000's)	%	\$ (000's)	%
Home Mortgage*	\$500	5%	\$1,415	13%	\$2,014	19%	\$6,947	64%
Consumer*	\$1,318	14%	\$2,136	23%	\$2,178	23%	\$3,853	41%
Totals	\$1,818	9%	\$3,551	17%	\$4,192	21%	\$10,800	53%

* Includes only those loans originated within the assessment area that had income information available representing 100% of the number and dollar volume of home mortgage loan originations and 94% of the total number and 98% of the total dollar volume of consumer loan originations.