



Comptroller of the Currency
Administrator of National Banks

Small Bank

PUBLIC DISCLOSURE

May 26, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Pontotoc
Charter Number - 9040**

**19 South Main Street
Pontotoc, Mississippi 38863**

**Office of the Comptroller of the Currency
80 Monroe Avenue, Suite 505
Memphis, Tennessee 38103**

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 **First National Bank of Pontotoc** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of May 26, 1998. 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.”**

The conclusion is based on the following:

- ▶ **A substantial majority of loans are made in the assessment area.**

- ▶ **The bank has a good distribution of loans to borrowers of different income levels and businesses and farms of different sizes.**
- ▶ **The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the assessment area credit needs.**

DESCRIPTION OF INSTITUTION:

First National Bank of Pontotoc (FNB) is a \$162 million institution located in northeast Mississippi approximately 100 miles southeast of Memphis, Tennessee. The bank's primary focus is small business, home mortgage, and other consumer loans. In addition to offering traditional consumer, business, and farm loans, FNB also offers low-income mortgage and moderate-income mortgage products. The loan portfolio composition as of March 31, 1998 is as follows:

Loan Type	\$ Volume (000)	% of Portfolio
Commercial	\$30,158	33%
1-4 Family Residential	28,559	31%
Consumer	16,687	18%
Farmland & Agriculture	9,908	11%
Other	6,210	7%
TOTAL	\$91,522	100%

FNB operates one branch which is also located in the City of Pontotoc. In addition to offering a full range of banking services, there is an ATM at the branch. There are no financial constraints that prohibit the bank from meeting assessment area credit needs.

FNB is the only locally-owned financial institution in Pontotoc County. It competes locally with a branch of a regional bank headquartered in Tupelo, Mississippi. A

branch of a regional bank is also located in Northern Pontotoc County. However, these banks are not comparable to FNB.

DESCRIPTION OF ASSESSMENT AREA:

FNB's assessment area consists of Pontotoc County, Mississippi. The 1990 U.S. Census median family income for non-metropolitan statistical areas in Mississippi, including the assessment area, was \$21,995. This number is used to determine the income level of the block numbering areas (BNAs) in the assessment area. FNB's assessment area is comprised of four (4) middle- and one (1) upper-income BNA. None of the BNAs are considered low- or moderate-income.

According to the 1990 U.S. Census demographic data, Pontotoc County reported a population of 22,237. The City of Pontotoc currently has a population of 5,300. The Department of Housing and Urban Development's (HUD) 1997 updated median family income is \$28,300. This income figure is updated annually and is used to determine the income level of individual applicants. There are 6,364 families in the assessment area of which: 1,086 (17%) are low-income, 1,059 (17%) are moderate-income, 1,315 (21%) are middle-income, and 2,904 (45%) are upper-income.

Local economic conditions are good with low unemployment (3.8% as of April 1998). The local economy is centered in furniture manufacturing, but is becoming more diversified. Major employers in Pontotoc County include Action Industries, Inc., Brookwood Furniture Company, and Landmark which are all furniture manufacturers. There are six industrial parks located throughout the county which provide for a good industrial base.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Lending in the Assessment Area

A substantial majority of loans are originated within the assessment area. A sample of 77 loans including business, farm, home mortgage, and consumer loans was selected to determine the level of lending within the assessment area. These loans were originated in 1997 and 1998 and total \$3.4 million. From this sample of 77 loans, 70 loans or 91% were originated within the assessment area. In terms of dollar volume, approximately \$3.1 million or 90% were made within the assessment area.

Lending to Borrowers of Different Incomes

The distribution of lending to borrowers reflects good penetration of lending to individuals of different income levels (including low- and moderate-income). We used a sample of 47 consumer and home mortgage loans to determine the income distribution of borrowers. The following table reflects the results of the sample and show that the number and dollar volume of lending to borrowers of different income levels mirrors the demographics of the assessment area.

<i>Distribution of Loans in Assessment Area by Borrower Income</i>								
Income Levels	Low		Moderate		Middle		Upper	
		%		%		%		%
Family Characteristics	1,086	17%	1,059	17%	1,315	21%	2,904	45%
Number of Loans	8	18%	10	21%	11	23%	18	38%
Dollar Volume	\$73,647	6%	\$92,287	8%	\$224,576	20%	\$745,898	66%

FNB also has an excellent record of making loans to small businesses and farms and to businesses of different sizes. A small business or small farm is defined as an entity with annual gross revenues of less than \$1 million. A sample of 15 business and eight farm loans was used to determine if FNB is making loans to businesses and farms of different sizes. The sample showed that 21 of the 23 loans, or 91%, were to

businesses and farms with gross revenues of less than \$1 million. In terms of dollar volume, approximately \$1.6 million or 82% of the \$1.9 million sampled went to small businesses and small farms.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. FNB's loan-to-deposit ratio has averaged 65% since the January 3, 1994 evaluation. Over the 17-quarter period from March 1994 to March 1998, the loan-to-deposit ratio has been as low as 61% and as high as 71%.

Geographic Distribution

An analysis of the geographic distribution of loans originated by the bank was not performed at this examination since this type of analysis would not be meaningful. FNB's assessment area is composed of four middle- and one upper-income BNA. FNB is located in the upper-income BNA and does not collect the necessary information to perform this type of analysis.

Response to Complaints

No complaints have been received from the public that specifically relate to the bank's performance in helping to meet community credit needs.

ADDITIONAL INFORMATION

Discrimination or Other Illegal Credit Practices

A fair lending review was conducted in conjunction with the bank's CRA evaluation. The sample criteria included loans to purchase residential real estate. No evidence of discrimination or disparate treatment was noted during this review. FNB is in technical compliance with fair lending laws and regulations.