



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

**June 14, 2007**

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

**Legacy National Bank  
Charter Number 24573**

**4055 West Sunset  
Springdale, AR 72762**

**Comptroller of the Currency  
Little Rock (Memphis)  
10201 West Markham, Suite 105 Ozark National Life Bld.  
Little Rock, AR 72205**

**NOTE: This document is an evaluation of this 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. 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.**

## **INSTITUTION'S CRA RATING: This institution is rated Satisfactory.**

- ◆ The average loan-to-deposit ratio at 96 percent is more than reasonable given the bank's size, financial condition, and assessment area credit needs.
- ◆ A substantial majority of loans, at 95 percent, are in the bank's assessment area.
- ◆ The distribution of loans reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- ◆ The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

## **SCOPE OF EXAMINATION**

An onsite examination of Legacy National Bank (LNB) was performed to determine its performance under the Community Reinvestment Act (CRA). The bank was evaluated using Small Bank CRA criteria. Loan information used for this evaluation included 2006 Home Mortgage Disclosure Act (HMDA) data, and information from commercial construction loans and commercial real estate loans made in 2006, which was the first full year for the bank. A data integrity examination of the bank's 2006 HMDA report was performed during the examination, with no significant deficiencies noted. This is the first CRA examination for LNB.

## **DESCRIPTION OF INSTITUTION**

Legacy National Bank is located in Springdale (Washington County), Arkansas (AR) which has a population of 45,798 according to the 2000 census. LNB is a relatively new bank that opened for business on March 28, 2005. The bank has both of its offices located in Springdale. Both offices have drive-in facilities, and have automated teller machines (ATM's). Legacy also has a loan production office located in Fayetteville, AR. As of December 31, 2006, the bank reported total assets of \$204 million with \$174 million in deposits and \$171 million in net loans (84 percent of total assets). The bank's primary business focus is commercial construction loans and commercial real estate loans, with residential real estate loans as a secondary focus. The commercial construction loans shown in the table below include a significant volume of loans to residential developers.

The loan portfolio composition as of December 31, 2006, is as follows:

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Commercial Construction Loans	\$88,093	51%
Commercial Real Estate Loans	\$36,749	21%
Residential Real Estate Loans	\$25,061	15%
Business and Industrial Loans	\$16,145	9%
Consumer Loans	\$7,325	4%
<b>Total</b>	<b>\$173,373</b>	<b>100%</b>

*Source: Uniform Bank Performance Report (Call Reports)*

LNB offers convenient banking hours and a variety of loan and deposit products to meet the needs of the assessment area. There are no financial impediments that would limit the bank's ability to help meet the credit needs in its assessment area. The bank is privately owned by a small group of shareholders.

## **DESCRIPTION OF ASSESSMENT AREA (BENTON AND WASHINGTON COUNTIES)**

LNB's assessment area (AA) is the southern half of Benton County and all of Washington County. Benton and Washington Counties are included in the Fayetteville-Springdale-Rogers Metropolitan Statistical Area (MSA). The AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies.

There are 49 Census Tracts (CT) in the bank's AA. The Median Family Income (MFI) for the Fayetteville-Springdale-Rogers MSA in was \$42,578 in 2000. This income figure is used to determine the income level of individual CT's. There are 2 low-income CT's, 5 moderate-income CT's, 34 middle-income CT's and 8 upper-income CT's. The 2006 HUD estimated MFI for the Fayetteville-Springdale-Rogers MSA was \$47,400. HUD estimated MFI is updated annually and is used to determine the income level of individual applicants.

Springdale, AR, is located in the northwestern part of AR. According to the updated 2003 Census, the population of Washington County was 157,715, and the population of Benton County was 153,406. The Fayetteville-Springdale-Rogers MSA has been the primary growth area in Arkansas in the past decade. The MSA population grew from 210,908 in 1990 to 311,121 in 2000 to 378,013 in 2003 (Madison County, with a population of 14,243 was included in the MSA in 2003).

The primary industries in Washington and Benton counties include retail, education, trucking, health care, and the production, distribution, and marketing of poultry and other protein products. Wal-Mart Stores, Inc., the world's largest retailer, is headquartered in Benton County and employs approximately 18,000. Poultry and meat processors Tyson Foods, Inc. and George's, Inc. are located in Springdale, and employ about 4,000 and 2,500 persons,

respectively. Trucking company J.B. Hunt Transport Services, Inc. is headquartered in Benton County and employs approximately 2,500. The University of Arkansas (4,000 employees), the Springdale/Fayetteville school system (3,200 employees) and the Bentonville/Rogers school system (over 3,800 employees) are large employers in their respective counties. Also, the Mercy Health Care System in Benton County is a significant area employer with 1,200 employees.

Based on March 2007 statistics provided by the Bureau of Labor Statistics, the unemployment rate, non-seasonally adjusted (NSA) as of March 2007, was 3.3 percent for Benton County and 3.6 percent for Washington County. The unemployment rates for Benton and Washington Counties are below the Arkansas average of 5.1 percent and the U.S. average of 4.5 percent.

The bank's AA is characterized by a high percentage of families classified as upper-income at 40 percent, followed by middle-income at 24 percent, moderate-income at 18 percent, and low-income at 18 percent. Banking competition is considered strong, with numerous branches of large regional banks, credit unions, finance companies, and mortgage companies located throughout the Fayetteville-Springdale-Rogers MSA.

Four community contacts were conducted during this examination. These included a government agency; a not-for-profit agency that provides several services, including low income housing grants; a grassroots community group; and a housing agency that provides affordable housing assistance for older persons, including rental assistance. The contacts indicated that the economy in the Northwest Arkansas area is strong overall; however, there has been a significant slow-down in the residential real estate market. The contacts indicated that credit needs include loans for affordable housing construction, home repairs, and small loans. The contacts generally indicated good support by the financial community.

The following table shows the demographic and economic characteristics of Southern Benton County and Washington County.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA (Southern BENTON COUNTY, and WASHINGTON COUNTY)</b>	
Population	
Number of Families	63,994
Number of Households	92,784
Geographies	
Number of Census Tracts/BNA	49
% Low-Income Census Tracts/BNA	4%
% Moderate-Income Census Tracts/BNA	10%
% Middle-Income Census Tracts/BNA	70%
% Upper-Income Census Tracts/BNA	16%
Median Family Income (MFI)	
2000 MFI for AA	\$42,578
2006 HUD-Adjusted MFI	\$47,400
Economic Indicators	
Unemployment Rate, March 2007, NSA	
Benton County	3.3%
Washington County	3.6%
State of Arkansas	5.1%
U.S.A.	4.5%
Median Housing Value as of 2000	\$90,431
Median Housing Year Built as of 2000	1981
% of Households Below Poverty Level	13%

*Source: 2000 U.S. Census Data, 2006 HUD Data, and 2007 Bureau of Labor Statistics*

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

LNB's loan-to-deposit (LTD) ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs, particularly during the last five quarters and is considered to be excellent at 96 percent. There are six banks that are headquartered in Benton County and six banks that are headquartered in Washington County. The following table shows total assets as of December 31, 2006 and the quarterly average loan-to-deposit ratio from June 30, 2005 through March 31, 2007 (8 quarters) for these 12 banks.

Institution	Assets (000) 12/31/2006	Avg LTD Ratio	Avg LTD Ratio Last 5 Quarters
Chambers Bank of North Arkansas, Fayetteville, AR	\$331,717	117%	121%
Bank of Arkansas, N.A. Fayetteville, AR	\$177,858	108%	139%
Signature Bank of Arkansas, Fayetteville, AR	\$342,893	105%	106%
Decatur State Bank, Decatur, AR	\$190,514	99%	99%
Pinnacle Bank, Bentonville, AR	\$152,433	95%	92%
Bank of Rogers, Rogers, AR	\$171,577	94%	95%
Bank of Fayetteville, Fayetteville, AR	\$411,000	92%	92%
Parkway Bank, Rogers, AR	\$165,360	89%	91%
Legacy National Bank, Springdale, AR	\$204,409	88%	96%
Simmons First Bank of Northwest Arkansas, Rogers, AR	\$278,742	85%	85%
Arvest Bank, Fayetteville, AR	\$8,793,828	83%	81%
Bank of Gravette, Gravette, AR	\$235,224	68%	68%

Source: Uniform Bank Performance Report (Call Reports)

### Lending in Assessment Area

A substantial majority of LNB's loans are in the bank's assessment area and the bank's performance is considered excellent. The bank ran a special report of all loans, originated during 2006, by census tracts during the examination. Lending within the assessment area for 2006 is detailed in the following table.

TOTAL LOANS REVIEWED								
	INSIDE ASSESSMENT AREA				OUTSIDE ASSESSMENT AREA			
LOAN TYPE	#	%	\$ (000s)	%	#	%	\$ (000s)	%
All Loans	500	95%	\$118,655	93%	29	5%	\$8,387	7%

Source: 2006 Bank Data

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

The distribution of borrowers reflects reasonable penetration among individuals of different income levels (including low-and moderate-income) and businesses of different sizes. All residential home purchased loans and refinanced loans listed in the 2006 Home Mortgage Disclosure Act Loan Applicant Register were used to determine lending to borrowers of different incomes. All commercial construction loans and, commercial real estate loans originated during 2006 were under \$1 million were used to determine lending to businesses of different sizes. More weight is given to commercial construction and commercial real estate loans since these loans are the bank's primary business focus, with residential real estate loan as a secondary focus.

The following table shows the distribution of residential real estate loans within the various income levels of the borrowers.

RESIDENTIAL REAL ESTATE								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	18%		18%		24%		40%	
2006	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Home Purchased	9%	10%	0%	0%	27%	22%	64%	68%
Refinanced	8%	1%	8%	1%	8%	8%	75%	90%

Source: 2006 HMDA Data and 2000 Census Data

The above table shows that residential real estate loans made in the AA to low-income borrowers are below the percentage of low-income borrowers in the AA. However, the 13 percent poverty level limits the bank's opportunity to make loans to low-income borrowers. The table also shows that residential real estate loans made in the AA to moderate-income borrowers is below the percentage of moderate-income borrowers in the AA. However, the bank has been in operation for just over two years. Residential loans to low-and-moderate-income borrowers in the AA are considered to be satisfactory.

There were 104 commercial construction loans under \$1 million that were originated during 2006 totaling \$29 million, and there were 22 commercial real estate loans for \$8 million. These loans totaled 126 by number and \$37 million. The following table shows the distribution of small loans (under \$1 million) to businesses.

BORROWER DISTRIBUTION OF SMALL LOANS FOR (1) COMMERCIAL CONSTRUCTION LOANS AND (2) COMMERCIAL REAL ESTATE LOANS		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	<b>92%</b>	<b>8%</b>
(1) % of Bank Loans in AA #	76%	24%
(2) % of Bank Loans in AA #	73%	27%
(1) % of Bank Loans in AA \$	69%	31%
(2) % of Bank Loans in AA \$	65%	35%

*Source: 2006 Bank Data and 2006 Dun and Bradstreet*

The distribution of commercial construction and commercial real estate loans reflects reasonable penetration among businesses of different sizes. According to Dun and Bradstreet, there were 22,036 non-farm businesses in the AA in 2006: 57 percent reported revenues of under \$1 million, 4 percent reported revenues of more than \$1 million, and 39 percent did not report their revenues. Of the businesses reporting revenues, 92 percent have revenues of less than \$1 million. Loans made to businesses with revenues under \$1 million are slightly below the number of businesses with revenues under \$1 million and are satisfactory. More weight is given to commercial construction and commercial real estate loans since these loans are the bank's primary business focus, with residential real estate loan as a secondary focus.



## Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

The geographic distribution of residential real estate loans reflects excellent dispersion throughout the assessment area. The percentage of owner-occupied units in low-income tracts represents only 0.34 percent of total units and is rounded down to 0 percent.

RESIDENTIAL REAL ESTATE								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Owner Occupied	<b>0%</b>		<b>5%</b>		<b>72%</b>		<b>21%</b>	
2006	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Home Purchased	0%	0%	7%	4%	57%	68%	36%	28%
Refinanced	0%	0%	7%	6%	64%	57%	29%	37%

Source: 2006 HMDA and 2000 Census Data

The above table shows that residential loans in moderate-income areas exceed the percentage of owner-occupied units in moderate-income tracts.

(1) COMMERCIAL CONSTRUCTION LOANS AND (2) COMMERCIAL REAL ESTATE LOANS								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses	<b>2%</b>		<b>13%</b>		<b>24%</b>		<b>61%</b>	
2006	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
(1)	1%	2%	7%	3%	59%	62%	33%	33%
(2)	0%	0%	27%	23%	55%	63%	18%	14%

Source: 2006 Bank Data and 2000 Census Data

Loans to commercial borrowers located in low- and moderate-income geographies in the AA are satisfactory.

Commercial construction loans made to commercial borrowers located in low-income geographies approximate the percentage of businesses located in low income geographies. The percentage of commercial construction loans made to commercial borrowers is slightly below the percentage of businesses located in moderate income geographies.

Commercial real estate loans made to commercial borrowers located in low-income geographies are slightly below the percentage of businesses located in low income geographies. The percentage of commercial real estate loans made to commercial borrowers located in moderate-income geographies exceed the percentage of businesses located in moderate- income geographies in the AA.

### **Responses to Complaints**

Legacy National Bank has not received a formal CRA complaint since the bank opened in 2005.

### **Fair Lending or Other Illegal Credit Practices Review**

There was no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.