



Comptroller of the Currency
Midwestern District

PUBLIC DISCLOSURE

October 8, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Northwest National Bank
Charter Number 23126**

**113 Southeast 2nd Street
Gravette, Arkansas 72736**

**Comptroller of the Currency
Midwestern District
Joplin Field Office
1710 East 32nd Street
Joplin, Missouri 64804**

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 the Northwest National Bank, prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of October 8, 1997. 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."

- ▶ Loans are reasonably distributed to borrowers of various income levels.
- ▶ A substantial majority of the bank's loans are made within its assessment area.
- ▶ The bank's loan-to-deposit ratio is more than reasonable.

DESCRIPTION OF INSTITUTION

Northwest National Bank (NNB) is an \$11 million, locally owned, rural community bank located in Gravette, Arkansas (Benton County). Gravette is approximately 50 miles northwest of Fayetteville, Arkansas and approximately 20 miles northwest of Bentonville, Arkansas.

The bank currently serves its community with one office, an attached drive-in facility, and two off-premise Automated Teller Machines (ATM). The bank has received approval for a branch facility to be constructed in Bella Vista. The branch facility will be completed in early 1998. There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs of its assessment area.

The bank's lending strategy focuses on consumer installment, 1-4 family residential, and real estate lending. The loan portfolio represents 76% of total assets, distributed as follows: consumer installment (33%), 1-4 family residential (46%), and commercial (21%).

DESCRIPTION OF NORTHWEST NATIONAL BANK'S ASSESSMENT AREA

NNB's assessment area consists of three census tracts (two middle-income and one upper-income) within northwest Benton County. Benton County is within the Fayetteville/Springdale/Rogers Metropolitan Statistical Area (MSA). The main bank is located in one of the middle-income tracts, and the branch will be located in the upper-income tract. NNB is one of only three banks in the assessment area, all of which are located in Gravette. Another bank is also constructing a branch in the upper-income tract. A high number of existing banks already serve the credit needs of the tracts surrounding the bank's assessment area.

The population of Gravette is slightly more than 1,400. Major employers in Gravette include the Gravette Medical Center, Amark Engineering, and the Gravette Public School system. Approximately 80% of the eligible workforce commutes to Bentonville for employment.

The updated U.S. Census 1990 median family income for the MSA is \$39,100. The bank's assessment area population of 13,698 contains 15% low-income families, 18% moderate-income families, 27% middle-income families, and 40% upper-income families.

We met with two community contacts during the examination, a realtor and a city official. Both contacts stated that the financial institutions are meeting the local community credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Lending to Borrowers of Various Income Levels

NNB has reasonable lending penetration among borrowers of different income levels. In part, we based our conclusion on a review of all consumer loans originated in the bank's assessment area during June, July, and August of 1997. The loans reviewed represent 19% of the total number of loans in the bank's portfolio. The following table, showing the number of loans to families of different income levels, illustrates our findings:

Loan distribution by family income				
	Low-Income	Moderate-Income	Middle-Income	Upper-Income
% of Families in Income Level	15%	18%	27%	40%
% of Residential Real Estate Loans	7%	7%	50%	36%
% of Consumer Loans	28%	30%	30%	12%
% of Total Loans	24%	26%	34%	16%

Based on Census Bureau data 75% of the businesses in the MSA which includes the bank's assessment area have total sales volume of less than \$1 million. Our review revealed all business loans originated during June, July, and August of 1997 were to small businesses.

Lending in Assessment Area

NNB originates a majority of its loans within the assessment area. We based this conclusion on a review of all loans originated during June, July, and August of 1997. Sixty-eight percent of all loans reviewed were within the assessment area.

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is more than reasonable. NNB's average loan-to-deposit ratio since the bank opened in October 1996 is 91%, while the average ratio of the 28 community banks in northwest Arkansas is 75% over the same period.

Geographic Distribution of Loans

The number and income distribution of geographies is not sufficient for a meaningful analysis of the geographic distribution of the bank's loans in its assessment area.

Compliance with Antidiscrimination Laws and Regulations

We found the bank in compliance with both substantive and technical provisions of antidiscrimination laws and regulations.