



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

October 29, 2002 

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First American National Bank
Charter Number 15386**

**114 Pearl Street
Iuka, MS 38852**

**Comptroller of the Currency
Memphis Field Office
57 Germantown Court, Suite 309
Memphis, TN 38018**

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.

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 American National Bank, Iuka, Mississippi** as prepared by the **Comptroller of the Currency**, the institution's supervisory agency, as of October 29, 2002. 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:  is 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 of different sizes.**
- **The loan-to-deposit ratio is good given the bank's size, financial condition, and the assessment area credit needs.**

DESCRIPTION OF INSTITUTION

First American National Bank (FANB) had total assets of \$156.7 million as of June 30, 2002. The bank is located in Mississippi approximately 110 miles southeast of Memphis, Tennessee. The bank's primary business focus is residential real estate and commercial loans with the loan portfolio representing approximately 55% of total assets. As a percentage of Tier 1 Capital, real estate loans totaled 359%, commercial 66%, and consumer and others 110%. The loan portfolio composition as of June 30, 2002 was as follows:

| Loan Type | \$ Volume (000) | % Of Portfolio |
|------------------|------------------------|-----------------------|
| Real Estate | \$56,758 | 67% |
| Commercial | \$10,463 | 12% |
| Consumer & Other | \$17,349 | 21% |
| Total | \$84,570 | 100% |

FANB operates only in Mississippi. The bank's main office and one of its seven branches is located in Iuka, Mississippi. The other six branches are located in Burnsville, Golden, Belmont, Tishomingo, Booneville and Saltillo, Mississippi. The bank has five ATMs located at the branches in Iuka, Burnsville, Belmont, Booneville and Saltillo. No ATMs are located at the main

office in Iuka and the Golden and Tishomingo branches. The bank offers a full range of banking services that are accessible at the main facility and at all branches. FANB is not an interstate bank and is not located in an MSA. The bank is not owned by a holding company. There are no legal, financial or other constraints that impede the bank's ability to help meet the credit needs of its assessment area. The bank received a **"Satisfactory"** rating at the last CRA examination dated May 2, 1997.

Within their assessment area, the bank's deposit competition consists of two national banks and six local state banks. Refer to the table below for a breakdown of the deposit market share as of June 30, 2002.

| Deposit Market Share Within Assessment Area | | | |
|--|-------------|---------------------------|------------------------------|
| | FANB | Two National Banks | Six Local State Banks |
| As of 6/30/02 | 7.08% | 4.42% | 88.50% |

DESCRIPTION OF ASSESSMENT AREA

FANB's assessment area consists of Tishomingo, Prentiss and Lee County, Mississippi. The bank's assessment area meets the requirements of CRA regulations and does not arbitrarily exclude any low and moderate-income geography. The 1990 US Census median family income for non-Metropolitan Statistical Areas in Mississippi, including the assessment area was \$36,000. This number is used to determine the income level of the block numbering areas (BNAs) in the assessment area. FANB's assessment area is comprised of 13 middle-income and 7 upper income BNAs.

According to the 2002 updated US Census demographic data, the reported population of the assessment area was 106,542. Twenty percent of the households showed income below the poverty level. The 2000-updated median family income was \$36,000. This income figure is updated annually and is used to determine the income level of individual applicants. There are 40,294 households in the assessment area of which: 8,577 (21%) are low-income, 5,378 (13%) are moderate-income, 6,225 (16%) are middle-income, and 20,114 (50%) are upper-income families. The average cost of housing in the assessment area is \$46,802. Owner occupied units represent 67% of the population.

The assessment area has a history of high unemployment, compared to the State of Mississippi and national averages. Unemployment data as of October 2002 shows the national unemployment average of 5.8%. The state of Mississippi shows 6.7%, with Tishomingo County showing 9.4%, Prentiss County 5.6% and Lee County 6.8%. The high unemployment can best be explained by the lack of employment opportunities in these markets.

The bank's assessment area is primarily manufacturing, retail trade, and services related. Major employers within the assessment area consist of Lane Industries 2,970 employees, Cooper Tire and Rubber Company 1,150 employees, Tecumseh Products 1,000 employees and Aircap Industries, Incorporated 900 employees.

One community development organization was contacted during this CRA review period. This

organization was contacted in an effort to determine opportunities for financial institutions to help meet local credit needs and to understand community perceptions of the local financial institutions' performance in meeting those needs. No salient, unaddressed community credit needs were identified, and the contact expressed positive opinions regarding the bank's responsiveness and performance in meeting the credit needs of consumers and small businesses in the area.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

For purposes of the loan-to-deposit ratio, the quarterly loan-to-deposit ratio was calculated for the twenty quarters since the last CRA examination dated May 2, 1997. When compared to similarly situated banks in the assessment area, the calculated loan-to-deposit ratio of 66.26% is reasonable. The bank's capacity to lend is good.

Lending in Assessment Area

A substantial majority of loans are within the bank's assessment area. The level of lending inside the assessment area exceeds the standards outlined in the regulation. Our review showed that 87% of the loans made were to individuals or businesses inside the bank's assessment area. The assessment area includes Tishomingo, Prentiss and Lee County, Mississippi, which consists of 13 middle and 7 upper-income census tracts. There are no low-income or moderate-income geographies.

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

The number and percentage of loans made by income level reflects adequate penetration among low and moderate-income individuals given the demographics of the assessment area. We analyzed 80 loans, which included 60 loans from the real estate primary loan type and 20 loans from the commercial primary loan type. Our review reflects real estate loans were made to individuals in all four-income levels. The analysis showed the number of loans is reasonably dispersed among all income levels. Our conclusions are based on originations and purchases since the last examination rather than outstandings. The following table compares loan distribution in our sample to assessment area population distribution.

| Distribution of Real Estate Loans in Assessment Area by Borrower Income | | | | | | | | | | |
|--|-------|-----|----------|-----|--------|-----|--------|-----|--------|------|
| | Low | | Moderate | | Middle | | Upper | | Total | |
| | # | % | # | % | # | % | # | % | # | % |
| Families within BNAs | 5,114 | 17% | 4,311 | 14% | 5,940 | 20% | 14,989 | 49% | 30,354 | 100% |
| Families in the Loan Sample | 6 | 10% | 8 | 13% | 16 | 27% | 30 | 50% | 20 | 100% |

Sample results indicate FANB has a good record of making loans to small businesses of different sizes. The commercial loans review reflected the bank makes loans to businesses with revenues over and under \$1 million. However, none of the loan sizes were over \$1 million.

| Distribution of Business Loans in Assessment Area by Revenue and Loan Size | | | | | | | | | | |
|---|---------------------------|-----|--------------------------|-----|-----------------------------|------|----------------------------|----|-------|------|
| | Revenue Under \$1 Million | | Revenue Over \$1 Million | | Loan Size Under \$1 Million | | Loan Size Over \$1 Million | | Total | |
| | # | % | # | % | # | % | # | % | # | % |
| Business Loans | 17 | 85% | 3 | 15% | 20 | 100% | 0 | 0% | 20 | 100% |

Geographic Distribution of Loans

A geographical analysis of loans by number and income distribution was not performed. The assessment area includes only middle and upper-income census tracts and such analysis would not be meaningful.

Responses to Complaints

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

Fair Lending Review

An analysis of three years public comments and consumer complaint information was performed according to the OCC's risk-based fair lending approach. Based on an analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1997.