



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

July 12, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Oxford
Charter Number - 9865**

**106 Courthouse Square
Oxford, MS 38655**

**Office of the Comptroller of the Currency
57 Germantown Ct. Suite 309
Memphis, Tennessee 38018**

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 Oxford (FNBO)** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of July 12, 1999. 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 which are representative of the demographics of the assessment area.**
- < **The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.**
- < **The bank's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs.**
- < **The bank is in compliance with anti-discrimination laws and regulations.**

DESCRIPTION OF INSTITUTION:

First National Bank of Oxford (FNBO) is a \$148 million institution located in Oxford, Mississippi, approximately 60 miles southeast of Memphis, Tennessee. The bank's primary lending emphasis is placed on real estate. The bank's loan portfolio composition as of June 30, 1999 is as follows:

Loan Type	\$ Volume(000's)	\$ Volume (000's)	% of Portfolio
1-4 Family Residential	37,093		
Nonfarm/Nonresidential	18,164		
Multifamily	1,829		
Construction/Land Development	1,707		
Total Real Estate		58,793	67.7%
Commercial		13,837	15.9%
Individual		12,377	14.3%
Agricultural		1,056	1.2%
Other		758	.9%
TOTAL		\$86,821	100%

FNBO operates within Lafayette County, Mississippi and is 100% owned by First National Holding Company. The bank has a main office located on the courthouse square in downtown Oxford, MS, two full-service branch locations, and one limited-service branch. All branches are within the bank's assessment area of Lafayette Co. There are no Saturday hours or extended hours at any of the bank's branches.

In addition to offering a full range of banking services, there are three full service automated teller machines (ATM's) open 24 hours. They are located in the University of Mississippi Student Union, the main bank, and a drive-up ATM at the bank's University branch. There are no financial constraints that prohibit the bank from meeting assessment area credit needs.

FNBO's competition consists of three branches of Union Planters Bank NA (Nationally Chartered), three branches of Merchants & Farmers Bank (State Chartered), two branches of BancorpSouth Bank (State Chartered), two branches of Mechanics Bank (State Chartered), one branch of the Bank of Holly Springs (State Chartered), and one branch of SouthBank (a Federal Savings Bank). FNBO is the only locally-owned bank within Lafayette County. See the following table for a breakdown of deposit market share as of June 30, 1998 within the county.

DESCRIPTION OF ASSESSMENT AREA:

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

According to the 1990 U.S. Census demographic data, Lafayette County reported a population of 31,826. The Department of Housing and Urban Development (HUD) 1998 updated median family income is \$29,800. This income figure is updated annually and is used to determine the income level of individual applicants. There are 7,039 families in the assessment area of which 1,350 or 19% are low-income, 1,175 or 17% are moderate-income, 1,305 or 19% are middle-income, and 3,209 or 45% are upper-income families.

Local economic conditions remain stable with 7% of the households receiving some form of public assistance and 27% of the households showing income below the poverty level. Approximately 10% or 3,210 persons are over the age of 65 in Lafayette County. Lafayette County has had a long history of low unemployment. In 1998 unemployment within Lafayette County was only 2.7%.

FNBO's assessment area is primarily rural and the economy is based on the University of Mississippi and agriculture. The major employer within the county is the University of Mississippi (approximately 12,000 enrolled students and employs approximately 2,250 people). Additional employers within Lafayette County consist of Baptist Memorial Hospital (approximately 1,000 employees), Emerson Electric Motor Division (approximately 650 employees), Whirlpool Corporation (approximately 500 employees), and the North MS Regional Center (approximately 550 employees).

Based on community contacts, the assessment area is in need of financial planning for individuals that want to move from low-income rental property to home ownership. Proper financial planning and home ownership counseling are necessary elements to moving these tenants out of public assisted housing. Within Oxford there is a limited number of good, safe, and affordable housing for them to purchase. More programs are needed to develop affordable housing that low income people can purchase. Along with this, there is a need for some down payment assistance. This area is also in need of venture capital funding for new business start-ups.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Lending in the Assessment Area

FNBO originates a substantial majority of loans within their assessment area. Loan information for 1998 provided by the Centrax Group revealed that 2,299 loans totaling \$52.4MM (Installment, Commercial, Small Business, and Small Farm) were originated within the bank's assessment area of Lafayette County, MS. This sample represents 86.5 % of the 1998 total loan originations.

Lending to Borrowers of Different Incomes

FNBO has a satisfactory record of lending to individuals of different income levels (including low- and moderate-income). We used information provided by the Centrax Group to determine the income distribution of borrowers for 1998. The following table shows that the number of consumer installment loans to borrowers of different income levels coincides with the demographics of the assessment area.

<i>Distribution of Installment Loans for 1998 within the Assessment Area by Borrower Income</i>								
Income Levels	Low		Moderate		Middle		Upper	
Number of Families	1,350	19%	1,175	17%	1,305	19%	3,209	45%
Number of Installment Loans for 1998 **	128	11%	265	23%	271	24%	485	42%

** Loan data used for total installment loans by borrower income (1149 loans) does not match the total number of installment loans originated within the assessment area (1224 loans). Some of the loans submitted to Centrax did not have income information provided, resulting in 75 loans not classified by borrower income levels. (These include employee loans, Director loans, etc.)

FNBO also has a good record of making loans to small businesses and small farms. A small business or small farm is defined as an entity with annual gross revenues of less than \$1 million. Based on the 1998 Centrax data, the bank originated 408 small business loans within the bank's assessment area. This represents 91% of the total small business originations for 1998. All BNA's were penetrated. Within the same time frame, the bank made 5 small farm loans within the assessment area. These originated in BNA's 9501 and 9505, both middle income. This represents 71% of the total small farm originations for the bank in 1998.

Loan-to-Deposit Ratio

FNBO’s loan-to-deposit ratio is satisfactory given the bank’s size, financial condition, and assessment area credit needs. FNBO’s loan-to-deposit ratio has averaged 66% since the June 26, 1996 evaluation. Over the 12-quarter period from June 1996 to March 1999, the loan-to-deposit ratio has been as low as 59% and as high as 72%. The bank’s loan-to-deposit ratio has fluctuated due to the bank’s seasonal agriculture loans and the influx of college students into Oxford, MS. Banks operating within Lafayette County had average loan-to-deposit ratios of between 67% and 79% for the same time period. However, there are no banks within the assessment area that are similarly situated to FNBO. All banks are either part of a larger regional bank or are headquartered outside the county.

Geographic Distribution

FNBO’s assessment area is comprised of one moderate, three middle, and one upper-income BNA’s. Geocoding of the 1998 installment portfolio was reviewed to determine the geographic distribution of lending. As shown in the table below, the loan sample is similar to the population of each BNA. Population sparsity in BNA 9503 is primarily attributable to the University of Mississippi located there and the volume of temporary college students living in this area. The population sparsity in BNA 9501 is attributable to the area being heavily forested and located in the Northeast corner of the county farther away from the bank.

Geographic distribution by Block Numbering Area						
Block Numbering Area (BNA)	Number of families	1998 Number of installment loans in BNA	\$ Volume (000's)	% of total families	% of total \$ volume	% of total loans
9501 (MIDDLE-INCOME)	852	95	1,146	12	6	8
9502 (UPPER-INCOME)	1,496	244	4,506	21	24	20
9503 (MODERATE-INCOME)	849	126	2,531	12	13	10
9504 (MIDDLE-INCOME)	1,696	375	4,906	24	26	31
9505 (MIDDLE-INCOME)	2,146	384	5,917	31	31	31
TOTAL	7,039	1,224	19,006	100	100	100

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

During this evaluation, we performed a fair lending review at FNBO. The combined approach was used on first purchase mortgage loans to determine if applicants were being treated equally. A sample of 17 loan applications within the first six months of 1999 was used.

Our review did not detect any evidence of discriminatory practices in home mortgage lending. We noted no violations of the substantive provisions of anti-discrimination laws and regulations, or any other illegal credit practices performed by this bank.