



Public Disclosure

August 9, 1999

Community Reinvestment Act Performance Evaluation

First National Bank of Brundidge
Charter Number: 7429

137 South Main Street
Brundidge, AL 36010

Comptroller of the Currency
Birmingham Field Office
100 Concourse Parkway, Suite 240
Birmingham, Alabama 35244

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 CRA performance of The First National Bank of Brundidge (FNB) Brundidge, Alabama, prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of August 9, 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 following are the primary factors supporting FNB's rating. These conclusions were based on a loan sample of twenty-two 1 to 4 family home purchase real estate mortgages, twenty automobile loans and twenty small farm (revenues less than \$1 million) loans.

- The bank's loan-to-deposit ratio is satisfactory given its size, financial condition, and assessment area credit needs.
- A substantial majority of the bank's loans are made within its assessment area.
- The bank's distribution of loans to borrowers of different income levels and within its assessment area is satisfactory.
- We detected no evidence of discrimination or other illegal credit practices during our review.

Description of Institution

FNB is the largest independently owned bank, in terms of assets, in Brundidge, Alabama, as of December 31, 1998¹. FNB is wholly owned by First Brundidge Bancshares, Inc. The bank operates a main office in downtown Brundidge, Alabama and does not have any other branches or stand alone Automated Teller Machines (ATMs). FNB has not opened or closed any branches since the last CRA Performance Evaluation (PE) dated April 8, 1996. At that time the bank was rated "Satisfactory".

Brundidge is located in the southeast corner of Pike County, which is approximately 50 miles south of Montgomery, Alabama. FNB offers a full array of banking services. FNB is retail oriented concentrating on real estate, agriculture, *and* consumer lending.

FNB reports \$47 million in assets² at June 30, 1999. The bank's loan portfolio represents 66% of the average assets³ as of June 30, 1999 and consists of residential real estate (\$10 million), commercial (\$5 million), consumer (\$6 million) and all other (\$10 million). FNB does not participate in any loan programs such as Veterans Administration (VA) or Federal Home Administration (FHA); however, FNB participates in the City Development Block Grant (CDBG) program for residents of the City of *Brundidge*. This program is a federally funded grant for the purpose of rehabilitating low- and moderate-income family homes. The grant provides 70% of the needed funds and the other 30% is the responsibility of the homeowner. There are no known legal impediments that would impair the bank's performance under the CRA.

Financial competitors to FNB in Pike County include one state chartered bank and three regional bank branches. Financial competitors outside Pike County but within FNB's assessment area include six state chartered banks. Management states the markets in the contiguous counties are very competitive.

Description of Assessment Area

FNB's assessment area includes six Block Numbering Areas (BNA) in Pike County (9886,9889,9890,9891,9892, and 9893), two BNAs in Coffee County (101 and 102), two BNAs in Barbour County (9503 and 9504), and one BNA in Dale County (201). Since the bank's location is in Southeast Pike County, it is reasonable to assume FNB would include portions of contiguous counties in their assessment area. The Dale County BNA (201) is located in a Metropolitan Statistical Area (MSA); however, FNB does not operate an office in this MSA. Therefore, FNB is not required to gather any additional data for reporting requirements. All BNAs within the assessment area are middle-income areas with the exception of two moderate-income areas (9889 & 9504) and one high-income (9890). FNB's assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

¹ FDIC Internet Site - Bank Comparative Data

² Uniform Bank Performance Report

³ Consolidated Report of Condition - Call Report

The estimated total resident population of Pike County⁴ is 28,646 for 1998. The combined population (MSA + Non-MSA) of the assessment area is 35,842⁵. The Non-MSA assessment area has approximately 8,283 families⁶ of which 25% are low-income, 17% are moderate-income, 19% middle-income, and 39% upper-income. Thirty-one percent of the Non-MSA households are below poverty level with 32% receiving social security and 15% receiving public assistance. The MSA assessment area has approximately 3,643 families⁷ of which 24% are low-income, 16% are moderate-income, 26% are middle-income, and 34% are upper-income. Fifteen percent of the households in the MSA assessment area are below poverty with 37% receiving social security and 7% public assistance.

The 1999 statewide adjusted non-metropolitan statistical area median family income⁸ is \$35,100 for Alabama and \$40,600 for Dothan, Alabama MSA.

FNB's assessment area is predominately rural and light industrial. The areas leading industries include light manufacturing and agriculture. The major employers⁹ in Brundidge, Alabama, are Russell Corporation, Carter Brothers, and PIKNIC. The major employers¹⁰ in Pike County are Troy State University, K & VV Plastics, Sanders Lead, and Lockheed Martin. The major employer¹¹ in nearby Elba is Dorsey Trailer. The unemployment rate¹² for Pike County is 4.3% for May 31, 1999, versus the state rate of 4.7% for the same period.

We contacted two community leaders to identify the local credit needs. The leaders were from the City Government and a retired person from the Department of Housing (DOH). According to the contacts, bank involvement in the local community is satisfactory. The only identified need of the community is affordable housing such as mobile homes for low- and moderate-income families.

Conclusions with Respect to Performance Criteria

The basis for FNB's PE was a 62 item loan sample (Sample). We reviewed 22 first lien 1-4 family home purchase residential real estate loans; 20 consumer automobile loans; and 20 small farm loans. The Sample was based on loans originated since the last CRA examination. For the purpose of this PE, FNB's performance was evaluated separately in the MSA and Non-MSA area due to data availability. The conclusions of both analyses were considered together when determining the overall conclusion to FNB's performance.

⁴ 1998 U.S. Census Bureau (Haver)

⁵ 1990 U.S. Census Bureau

⁶ Ibid.

⁷ Ibid.

⁸ 1999 U.S. Census Bureau

⁹ Discussion with FNB Management.

¹⁰ Ibid.

¹¹ Ibid.

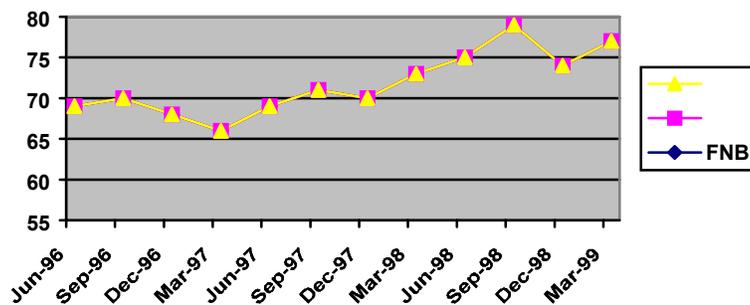
¹² 1999 U.S. Census Bureau (Haver)

Loan-to-Deposit Ratio

- The loan-to-deposit ratio meets the standard for satisfactory performance given FNB's size, financial condition, and assessment area credit needs.

FNB's twelve quarter average loan-to-deposit ratio¹³ from June 30, 1996 to March 31, 1999 is 72%. This ratio has increased slightly over the evaluation period and ranged from a low of 66% to a high of 79%. The bank's goal¹⁴ is for a loan-to-deposit ratio of 75%. This twelve quarter average ratio represents the highest ratio for the two similarly situated banks¹⁵ headquartered in the bank's assessment area. These two banks asset size are comparable to FNB's asset size. The other two competing banks within the assessment area have an average loan-to-deposit ratio¹⁶ of 63% ranging from a low 56% to a high of 70% for the same twelve quarter period.

Loan-to-Deposit Ratio



The assessment area also contains ten financial institutions with branches. FNB has 5% of the total market share of deposits¹⁷ as of June 30, 1998. The institution with the largest market share of deposits has 29% and the institution with the smallest market share of deposits has 2%. FNB ranks sixth of ten in largest market share of total deposits. This reflects favorably since FNB has only one banking office.

¹³ Uniform Bank Performance Report.

¹⁴ Board Approved Loan Policy

¹⁵ Farmers Exchange Bank - Louisville, AL, and Commercial Bank of the Ozark - Ozark, AL

¹⁶ Ibid.

¹⁷ FDIC Internet Site

Lending in the Assessment Area

- A substantial majority of loans are made within FNB's assessment area.

The following table indicates the ratio of loans made within the FNB's assessment area based on our Sample of loans. Our Sample revealed that a substantial majority of the number and dollar amount of loans for each product line are made within the bank's assessment area. This is primarily due to the large assessment area FNB has chosen geographically.

RATIO OF LOANS MADE WITHIN ASSESSMENT AREA				
1-4 Family Real Estate	Number	Percent	Dollar Amount	Percent
Inside	20	91%	\$947,765	93%
Outside	2	9%	\$70,609	7%
Automobile	Number	Percent	DollarAmount	Percent
Inside	18	90%	\$136,723	82%
Outside	2	10%	\$29,123	18%
Small Farm	Number	Percent	Dollar Amount	Percent
Inside	20	100%	\$875,098.	100%
Outside	-	-	-	-
Total Loans	Number	Percent	Dollar Amount	Percent
Inside	58	94%	\$1,959,586	95%
Outside	4	6%	\$99,732	5%

Lending to Borrowers of Different incomes and to businesses of Different Sizes

- The distribution of credit reflects satisfactory penetration among individuals of different income levels.

The following table shows, overall, FNB has a satisfactory distribution of loans to borrowers of different income levels. The table shows a reasonable distribution among both product lines sampled. The number of 1-4 family residential loans to low-income borrowers appears lower than the percentage of families within the assessment area. However, management was able to demonstrate loans are being made to low- and moderate-income borrowers. The City of Brundidge has been given a housing grant

from the Federal Government for low- and moderate-income borrowers for the purpose of residential rehabilitation. This grant will fund 70% of the requested amount. The remaining 30% will come from the borrower. The grant determines the eligibility of the applicants and the City of Brundidge determines the amount of funds to be provided. Management was able to document FNB made loans to 33% of all applicants approved for the program.

DISTRIBUTION OF LOANS BY BORROWER INCOME				
Loan Product	Low	Moderate	Middle	Upper
Non-MSA Assessment Area				
FAMILIES				
Number of Families	2,059	1,372	1,587	3,265
Percent of Families	25%	17%	19%	39%
1-4 FAMILY REAL ESTATE				
Number of Loans	3	4	7	5
Number Percent	16%	21%	37%	26%
Dollar Volume Percent	8%	13%	39%	40%
AUTOMOBILE				
Number of Loans	3	7	3	1
Number Percent	21%	50%	21%	7%
Dollar Volume Percent	9%	36%	42.%	13%
MSA Assessment Area				
FAMILIES				
Number	212	137	226	302
Percent	24%	16%	26%	34%
1-4 FAMILY REAL ESTATE				
Number of Loans	0	0	0	0
Number Percent	0%	0%	0%	0%
Dollar Volume Percent	0%	0%	0%	0%
AUTOMOBILE				
Number of Loans	2	0	0	0
Number Percent	100%	0%	0%	0%
Dollar Volume Percent	100%	0%	0%	0%

The low volume of loans made within the MSA (BNA 201) is due to the absence of FNB banking offices and the presence of a competing bank within BNA 201. Again, BNA 201 is contiguous to the Brundidge BNA. Therefore, BNA 201 is logically included within the assessment area, as mentioned earlier.

Geo.graphic Distribution of Loans

- The geographic distribution of loans reveals satisfactory dispersion throughout the assessment area.

The following table depicts the distribution of loans made within FNB's assessment area based on our Sample. Overall, the penetration is satisfactory based on the location of the main office. As mentioned earlier, the assessment area is geographically quite large considering only one banking office.

DISTRIBUTION WITHIN THE ASSESSMENT AREA								
1 - 4 Family Real Estate Loans/ Automobile Loans/ Small Farm Loans Sample								
BNA	Income Tract	Percent of Families ¹⁸	1-4 Family		Automobile		Small Farms	
			Number	Percent	Number	Percent	Number	Percent
MSA								
201	Middle	10%	0	0%	2	11%	3	15%
Non-MSA								
9886	Middle	6%	2	10%	-	0%	7	35%
9889	Moderate	10%	2	10%	-	0%	-	0%
9890	Upper	15%	1	5%	-	0%	1	5%
9891	Middle	14%	1	5%	-	0%	-	0%
9892	Middle	8%	0	0%	1	6%	-	0%
9893	Middle	13%	11	55%	13	72%	9	45%
9503	Middle	6%	1	5%	2	11%	-	0%
9504	Moderate	8%	1	5%	-	0%	-	0%
101	Middle	5%	1	5%	-	0%	-	0%
102	Middle	5%	0	0%	-	0%	-	0%
TOTAL		100%	20	100%	18	100%	20	100%

** Note: Percent of families is for FNB's total assessment area.

Management demonstrated that FNB originated \$3.5 million in home loans since the last CRA examination. Furthermore, management demonstrated 8 mobile home loans totaling \$259,000 were made within the 9893 BNA. These loans specifically meet the needs of the community according to the community contacts we surveyed.

¹⁸ U.S. Census Bureau

BNA 102 is an out of county BNA with a competitor banking office serving that area. The table clearly reflects FNBs lending philosophy of retail loans (automobile) concentrated within the primary BNA of 9893 (Brundidge). In addition, FNB made a large volume of small farm loans to BNA 9893, which is a rural BNA. The lower penetration in the higher populated BNAs of 9890 and 9891 (Troy, Alabama) is due to the high volume of competing banks serving that market.

Response to Complaints

- No complaints have been received since the previous examination.

Institution's Record of Complying with the Anti-discrimination Laws

- We found no evidence of discrimination or other illegal credit practices. No violations of the substantive provisions of the anti-discrimination laws and regulations were identified.

The scope of our Fair Lending Examination included a sample comparison of loan terms from a test group of five female borrowers and a control group of twenty male borrowers. Our sample was derived from the consumer auto loan portfolio.

The scope of our Fair Lending review included sample of approved female and male automobile loans made since the previous examination. We then compared loan terms including interest rate, fees, and maturity. Loan terms were found to be consistent for both groups.

There is no evidence of illegal discrimination or other illegal credit practices regarding extensions of credit based on our review of sampled files. Loan terms were consistent for both control group applicants and prohibited basis group applicants. Interest rates and amortization schedules are consistent and do not reflect any disparate treatment between applicants.