



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

October 5, 2010

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First, A National Banking Association  
Charter Number: 22949

6480 US Highway 98 West  
Hattiesburg, MS 39402

Office of the Comptroller of the Currency

BIRMINGHAM FIELD OFFICE  
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Birmingham, AL 35244

**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 Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

The First, a National Banking Association has a satisfactory record of meeting community credit needs. Major factors contributing to the overall rating include:

- The loan to deposit ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs.
- A substantial majority of loans are originated within the bank's assessment area(s).
- The geographic distribution of loans reflects excellent dispersion throughout the assessment area(s).
- The distribution of borrowers reflects, given the demographics of the assessment area(s), reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.
- The bank's community development performance demonstrates adequate responsiveness to the community development needs of its assessment area(s) through community development loans, qualified investments, and community development services, as appropriate, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment area(s).

## **Scope of Examination**

Based on the bank's asset size, CRA performance was assessed using the Intermediate Small Bank procedures. Consistent with the Intermediate Small Bank procedures, CRA performance was evaluated based on a lending test and a community development test. Conclusions regarding lending performance are based on the bank's primary loan products which were identified as residential and commercial real estate loans. Loan originations for these product types were reviewed for years 2007, 2008, and 2009. For residential real estate, we reviewed reliable reported Home Mortgage Disclosure Act (HMDA) data for analysis. For commercial real estate loans, we reviewed a sample of loans originated within each assessment area receiving a full scope review. This sample of loans is representative of the bank's business strategy since the previous CRA examination. For the community development test, the evaluation period is April 4, 2004 through October 5, 2010. The community development test includes a review of the investments, services, and loans provided in the bank's assessment area that meet the definition of community development. This evaluation is based on the bank's CRA performance and does not include affiliate activity.

## Description of Institution

The First, headquartered in Hattiesburg, Mississippi, is an intrastate bank with \$504 million in total assets. The bank is a wholly-owned subsidiary of First Bancshares, Inc., a one-bank holding company. The First has ten full service branches which offer a full range of loan and deposit products. The bank's primary business strategy is to serve market needs by originating residential and commercial real estate loans. As noted in the below chart that reflects the distribution of the loan portfolio as of September 30, 2010, real estate loans for commercial and residential purposes comprise 82 percent of the portfolio.

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Real Estate (commercial and residential)	275, 715	82
Commercial	50,765	15
Individuals	9,474	3
Agriculture	0	0
Other	162	0
<b>Total</b>	<b>336,116</b>	<b>100.00</b>

There are no legal impediments or other factors that inhibit the bank's ability to meet the credit needs of the community. The bank was rated "Satisfactory" during the prior CRA Examination dated April 5, 2004.

The bank's assessment area (AA) includes Forrest and Lamar Counties which are part of the Hattiesburg Metropolitan Statistical Area (MSA); the Gulfport-Biloxi MSA including Hancock, Harrison and Stone counties; Jackson County located in the Pascagoula MSA; and the non-metropolitan counties of Jones and Pearl River. The bank's CRA performance in the MSA areas of Hattiesburg, Gulfport-Biloxi, and Pascagoula were selected for a full scope review due to the large percentage of loans and deposits originated in these areas. Data was also reviewed for Jones and Pearl River Counties, and we found that the bank's CRA performance was consistent with performance in the full scope areas.

## Description of Assessment Areas

### *Hattiesburg Assessment Area*

The Hattiesburg assessment area (AA) includes the counties of Forrest and Lamar which comprise part of the Hattiesburg Metropolitan Statistical Area. This assessment area includes twenty-three census tracts with two low-income tracts and six-moderate income tracts. This assessment area meets the requirements of the Community Reinvestment Act and does not arbitrarily exclude low-or moderate-income geographies. The First has three branches equipped with ATMs in Hattiesburg and one in Purvis. Competition is strong with numerous institutions competing in this market. Hattiesburg's economy has experienced some growth which is attributed to a strong

and diverse economic community. Major employers include Forrest General Hospital, The University of Southern Mississippi, Hattiesburg Clinic, and Camp Shelby. Contact with two local business organizations identified affordable housing as a major need in the Hattiesburg area. There are ample opportunities available for bank to participate in community development activities within the Hattiesburg Assessment Area.

The following table provides a description of the assessment area based on census data and 2009 Department of Housing and Urban Development (HUD) information.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>	
<i>Population</i>	
Number of Families	28,200
Number of Households	41,583
<i>Geographies</i>	
Number of Census Tracts	23
% Low-Income Census Tracts	9%
% Moderate-Income Census Tracts	26%
% Middle-Income Census Tracts	43%
% Upper-Income Census Tracts	22%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$40,688
2009 HUD-Adjusted MFI	\$47,300
<i>Economic Indicators</i>	
Unemployment Rate (Aug 2010)	7.40%
2000 Median Housing Value	\$74,006
% of Households Below Poverty Level	19.03%

*Source: U.S. Census data.*

### ***Gulfport/Biloxi Assessment Area***

The Gulfport Biloxi AA includes Hancock, Harrison, and Stone Counties which make up the Gulfport Biloxi MSA. This assessment area includes fifty-two census tracts with eleven moderate-income tracts and no low-income tracts. This assessment area meets the requirements of the Community Reinvestment Act and does not arbitrarily exclude low-or moderate-income geographies. The First has three branches equipped with automated teller machines (ATMs) located in Bay St. Louis, Gulfport and Wiggins. Competition is strong with numerous institutions competing in this market. The Gulfport and Biloxi economies are stable. Major employers include Keesler Air Force Base, NASA-Stennis Space Center, Beau Rivage Resort and Casino, Memorial Hospital and IP Casino Resort Spa. Contact with a local business organization identified small business lending as a primary banking need. There are ample opportunities available for bank to participate in community development activities within the Gulfport/Biloxi Assessment Area.

The following table provides a description of the assessment area based on census data and 2009 Department of Housing and Urban Development (HUD) information.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>	
<i>Population</i>	
Number of Families	64,502
Number of Households	93,257
<i>Geographies</i>	
Number of Census Tracts	52
% Low-Income Census Tracts	0%
% Moderate-Income Census Tracts	21%
% Middle-Income Census Tracts	63%
% Upper-Income Census Tracts	16%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$41,825
2009 HUD-Adjusted MFI	\$51,800
<i>Economic Indicators</i>	
Unemployment Rate (Aug 2010)	7.20%
2000 Median Housing Value	\$83,861
% of Households Below Poverty Level	14.37%

Source: U.S. Census data.

### ***Pascagoula Assessment Area***

The Pascagoula AA consists of Jackson County which is a part of the Pascagoula MSA. This assessment area includes twenty-nine census tracts with one low-income tract and eight moderate-income tracts. This assessment area meets the requirements of the Community Reinvestment Act and does not arbitrarily exclude low or moderate-income geographies. The First has one branch including an ATM in Pascagoula. Competition is strong with several institutions competing in this market. The Pascagoula economy is stable with several large employers located in the area. Major employers include Chevron Pascagoula Refinery, Signal International LLC and Northrop Grumman Shipbuilding, Mississippi's largest employer. There are ample opportunities available for bank to participate in community development activities within the Gulfport/Biloxi Assessment Area.

The following table provides a description of the assessment area based on census data and 2009 Department of Housing and Urban Development (HUD) information.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>	
<i>Population</i>	
Number of Families	35,921
Number of Households	47,753
<i>Geographies</i>	
Number of Census Tracts	29
% Low-Income Census Tracts	3%
% Moderate-Income Census Tracts	28%
% Middle-Income Census Tracts	55%
% Upper-Income Census Tracts	14%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$45,561
2009 HUD-Adjusted MFI	\$55,000
<i>Economic Indicators</i>	
Unemployment Rate (Aug 2010)	7.90%
2000 Median Housing Value	\$76,609
% of Households Below Poverty Level	12.93%

Source: U.S. Census data.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

Performance under the lending test meets standards for satisfactory performance. The loan to deposit ratio is more than reasonable given assessment area credit needs. A substantial majority of loans are originated within the bank's assessment area(s). The distribution of loans among borrowers of different incomes and businesses of different sizes is reasonable. The geographic distribution of loans reflects excellent dispersion through out the assessment area(s).

### **Loan-to-Deposit Ratio**

Performance exceeds the standard for satisfactory performance. The loan-to-deposit ratio is more than reasonable based on the bank's size, financial condition, and assessment area credit needs. The bank's quarterly average loan-to-deposit ratio was 87 percent since the prior April 2004 CRA examination. This performance compares well with similarly situated banks with a quarterly average loan-to-deposit ratio of 73 percent during the same time period.

Institution	Assets (000s) (as of 6/30/10)	Average LTD Ratio
The First, A National Banking Association	\$496,253	87.20%
Community Bank, Coast	\$418,593	88.01%
Peoples Bank, Biloxi, Mississippi	\$883,802	75.56%
Merchants & Marine Bank	\$503,039	50.05%
Bank of Jones County	\$207,111	54.04%
Community Bank, Ellisville, Mississippi	\$644,882	88.94%
First National Bank of Picayune	\$205,280	86.11%
Bank of Wiggins	\$185,374	67.88%

## Lending in Assessment Area

A substantial majority of residential and commercial real estate loans were originated within the assessment area(s) since the prior CRA examination. The breakdown by loan category is illustrated in the following table.

Lending in Mississippi Assessment Areas										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	1,731	90.53	181	9.47	1,912	250,214	90.19	27,215	9.81	277,429
Refinance	1,618	91.31	154	8.69	1,772	244,193	91.70	22,105	8.30	266,298
Home Improvement	248	95.38	12	4.62	260	7,984	92.69	630	7.31	8,614
Commercial RE	19	95.00	1	5.00	20	5,297	98.91	58	1.09	5,355
Totals	3,616	91.22	348	8.78	3,964	507,688	91.03	50,008	8.97	557,696

Source: Data reported under HMDA, commercial real estate loan sample

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

The First's overall distribution of loans by borrower income level represents a reasonable penetration given the overall demographics of the bank's assessment area. We weighted commercial real estate performance slightly more than residential loan performance since the bank originates a larger percentage of commercial real estate loans than residential loans.

### Hattiesburg Assessment Area

The distribution of residential loans by borrower income level reflects poor penetration given the demographics of the assessment area (AA). The percentage of loans to low-income borrowers is significantly below the percentage of low-income families residing within the AA. However, approximately 19 percent of households are below the poverty level with a low-income person earning less than \$24 thousand. The 2000 median housing cost in the AA is \$74 thousand and low-income housing available for purchase is limited. The cost of housing has risen substantially since year 2000 with a 2009

median housing value of \$120,000 for Forest County and \$158,794 for Lamar County. Furthermore, competition for home mortgage products is strong with numerous institutions vying for these products. Community contacts noted a lack of affordable housing within the assessment area. However, the distribution of residential loans to moderate-income families is also below the percentage of moderate-income families living in the assessment area.

<b>Borrower Distribution of Residential Real Estate Loans in Hattiesburg AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	22.63	2.88	15.42	10.86	20.70	20.93	41.24	57.03
Home Improvement	22.63	7.87	15.42	15.73	20.70	15.73	41.24	55.06
Refinance	22.63	3.95	15.42	10.03	20.70	18.09	14.24	57.07

Source: Data reported under HMDA; U.S. Census data. Income is not available for 8.31% of Home Purchase Loans, 5.62% of Home Improvement Loans, and 10.86% of Refinance Loans.

The distribution of loans to small businesses is reasonable. The percentage of the number of loans to businesses with reported revenues of \$1 million or less exceeds the percentage of small businesses located within the assessment area.

<b>Borrower Distribution of Loans to Businesses in Hattiesburg AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	76.24	2.87	20.88	100%
% of Bank Loans in AA by #	80.00	20.00	-----	100%
% of Bank Loans in AA by \$	53.27	46.73	-----	100%

Source: Loan sample; Dun and Bradstreet data.

### **Gulfport/Biloxi Assessment Area**

The distribution of residential loans by borrower income level reflects reasonable penetration given the demographics of the assessment area (AA). The percentage of loans to low-income borrowers is below the percentage of low-income families residing within the AA. However, 14 percent of households are below the poverty level with a low-income person earning less than \$26 thousand. The 2000 median housing cost is \$84 thousand within the AA, and there is a lack of affordable housing available for purchase. The cost of housing has risen substantially since year 2000 with a 2009 median housing value of \$143,000 for Harrison County, \$160,724 for Hancock County, and \$102,932 for Stone County. Furthermore, competition for home mortgage products is strong with numerous institutions vying for these products. The distribution of

residential loans to moderate-income families is near the percentage of moderate-income families living in the assessment area.

<b>Borrower Distribution of Residential Real Estate Loans in Gulfport/Biloxi AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	23.73	1.99	16.76	14.57	20.24	22.52	39.27	52.32
Home Improvement	23.73	20.00	16.76	10.00	20.24	15.00	39.27	50.00
Refinance	23.73	2.75	16.76	13.30	20.24	21.56	39.27	50.92

Source: Data reported under HMDA; U.S. Census data. Income is not available for 8.61% of Home Purchase Loans; 5.00% of Home Improvement Loans, and 11.47% of Refinance Loans.

The distribution of loans to small businesses is excellent. The percentage of loans to businesses with reported revenues of \$1 million or less exceeds the percentage of small businesses located within the assessment area.

<b>Borrower Distribution of Loans to Businesses in Gulfport/Biloxi AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	76.98	2.63	20.39	100%
% of Bank Loans in AA by #	95.00	5.00	-----	100%
% of Bank Loans in AA by \$	81.47	18.53	-----	100%

Source: Loan sample; Dun and Bradstreet data.

### **Pascagoula Assessment Area**

The distribution of residential loans by borrower income level reflects reasonable penetration. The percentage of loans to low-income borrowers is below the percentage of low-income families residing in the assessment area (AA). However, 13 percent of households are below the poverty level with a low-income person earning less than \$28 thousand. The 2000 median housing cost in the area is \$77 thousand and there is a lack of low-income housing available for purchase. The cost of housing has risen substantially since year 2000 with a 2009 median housing value of \$131,600 for Jackson County. Furthermore, competition for home mortgage products is strong with numerous institutions vying for these products. Community contacts noted a lack of affordable housing. The distribution of residential loans to moderate-income families exceeds the percentage of moderate-income families living in the assessment area for home purchase and home improvement loans. However, the percentage of refinance home loans to moderate-income families is less than the percentage of moderate-income families living in the assessment area.

<b>Borrower Distribution of Residential Real Estate Loans in Pascagoula AA</b>								
<b>Borrower Income Level</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
<b>Loan Type</b>	<b>% of AA Families</b>	<b>% of Number of Loans</b>	<b>% of AA Families</b>	<b>% of Number of Loans</b>	<b>% of AA Families</b>	<b>% of Number of Loans</b>	<b>% of AA Families</b>	<b>% of Number of Loans</b>
Home Purchase	18.54	5.00	18.35	24.17	22.84	21.67	40.27	40.83
Home Improvement	18.54	11.76	18.35	20.59	22.84	32.35	40.27	29.41
Refinance	18.54	1.14	18.35	6.82	22.84	19.32	40.27	53.41

Source: Data reported under HMDA; U.S. Census data. Income not available for: 8.33% of Home Purchase Loans, 5.88% of Home Improvement Loans, and 19.32% of Refinance Loans.

The distribution of loans to small businesses is excellent. The percentage of loans to businesses with reported revenues of \$1 million or less exceeds the percentage of small businesses located within the assessment area.

<b>Borrower Distribution of Loans to Businesses in Pascagoula AA</b>				
<b>Business Revenues (or Sales)</b>	<b>≤\$1,000,000</b>	<b>&gt;\$1,000,000</b>	<b>Unavailable/Unknown</b>	<b>Total</b>
% of AA Businesses	80.27	2.42	17.31	100%
% of Bank Loans in AA by #	90.00	10.00	-----	100%
% of Bank Loans in AA by \$	89.48	10.52	-----	100%

Source: Loan sample; Dun and Bradstreet data.

## **Geographic Distribution of Loans**

The geographical distribution of loans reflects reasonable dispersion throughout the assessment area(s). Performance for the Hattiesburg AA is reasonable, while performance for the Gulfport/Biloxi AA and the Pascagoula AA is excellent. Performance for small business lending was weighted slightly more than residential performance since the commercial real estate portfolio comprises a larger portion of the loan portfolio. Residential real estate loan performance was poor for the Hattiesburg AA, excellent for the Gulfport/Biloxi AA, and excellent for the Pascagoula AA. Commercial real estate loan performance was reasonable for the Hattiesburg AA, excellent for the Gulfport/Biloxi AA, and excellent for the Pascagoula AA.

### **Hattiesburg Assessment Area**

The geographic distribution of residential real estate loans represents a poor dispersion throughout the assessment area based on the performance context of the bank. The percentage of owner-occupied homes in the low and moderate-income tracts is low with limited opportunities for residential lending. A large portion of the housing units in the low and moderate-income tracts are rental units occupied by students attending the University of Southern Mississippi. However, as illustrated in the following table, performance is significantly below the demographic comparator.

<b>Geographic Distribution of Residential Real Estate Loans in Hattiesburg AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	3.89	0.32	10.97	6.71	46.56	50.96	38.58	42.01
Home Improvement	3.89	0.00	10.97	0.00	46.56	73.03	38.58	26.97
Refinance	3.89	0.16	10.97	3.13	46.56	53.13	38.58	43/59

Source: Data reported under HMDA; U.S. Census data.

The geographic distribution of business loans represents a reasonable dispersion throughout the assessment area. The distribution of loans in both the low- and moderate-income tracts is near to the percentage of businesses in those areas.

<b>Geographic Distribution of Loans to Businesses in Hattiesburg AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Businesses	6.93	5.00	12.90	10.00	38.88	30.00	41.29	55.00

Source: Loan Sample; Dun & Bradstreet data.

### **Gulfport/Biloxi Assessment Area**

The geographic distribution of residential real estate loans represents an excellent dispersion throughout the assessment area based on the performance context of the bank. The percentage of residential real estate loans in the moderate-income tracts exceeds the percentage of owner occupied units in the moderate-income tracts. This assessment area does not have any low-income census tracts.

<b>Geographic Distribution of Residential Real Estate Loans in Gulfport/Biloxi AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0.00	0.00	9.28	15.89	74.61	74.83	15.01	9.27
Home Improvement	0.00	0.00	9.28	21.67	74.61	73.33	15.01	5.00
Refinance	0.00	0.00	9.28	12.84	74.61	81.65	15.01	5.50

Source: Data reported under HMDA; U.S. Census data.

The geographic distribution of business loans reflects excellent dispersion throughout the assessment area. The distribution of commercial real estate loans in the moderate-income tracts exceeds the percentage of businesses in the moderate-income tracts.

<b>Geographic Distribution of Loans to Businesses in Gulfport/Biloxi AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Businesses	0.00	0.00	17.35	30.00	67.76	55.00	13.24	15.00

Source: Loan sample; Dun & Bradstreet data.

### **Pascagoula Assessment Area**

The geographic distribution of residential real estate loans reflects excellent dispersion. The percentage of loans in the moderate-income tracts for home purchase and home improvement loans exceeds the percentage of owner-occupied units in the moderate-income tracts. The percentage of loans in the moderate-income tracts for refinance loans is near to the percentage of owner occupied units in the moderate-income tracts. There is very little opportunity to lend in the only low-income census tract so performance in this tract was not weighted heavily.

<b>Geographic Distribution of Residential Real Estate Loans in Pascagoula AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0.03	0.00	13.30	15.83	69.26	64.17	17.42	20.00
Home Improvement	0.03	0.00	13.30	38.24	69.26	52.94	17.42	8.82
Refinance	0.03	1.14	13.30	9.09	69.26	68.18	17.42	21.59

Source: Data reported under HMDA; U.S. Census data.

The geographic distribution of commercial real estate loans illustrates excellent dispersion. The percentage of loans in the moderate-income tracts exceeds the percentage of businesses located in the moderate-income tracts. Sample results reflect no loans were originated in the low-income tract; however, the demographic information shows there is little opportunity to lend in this tract.

<b>Geographic Distribution of Loans to Businesses in Pascagoula AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Businesses	0.05	0.00	21.20	55.00	56.99	30.00	21.76	15.00

Source: Loan Sample; Dun & Bradstreet data.

## Responses to Complaints

The First did not receive any CRA related complaints during the evaluation period.

## Fair Lending or Other Illegal Credit Practices Review

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

## COMMUNITY DEVELOPMENT TEST

The bank's community development performance demonstrates adequate responsiveness to the community development needs of its assessment area(s) through community development loans, qualified investments, and community development

services, as appropriate, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment area(s).

### **Bank-Wide Community Development Activity**

The bank-wide community development activities have enhanced community development performance in each of the bank's assessment areas. Bank-wide community development activities are described as follows.

#### *Financial Institutions Housing Opportunity Pool*

In addition to activities within the designated assessment areas, The First contributed \$750 thousand in 2009 to the Financial Institutions Housing Opportunity Pool (FIHOP) as a membership share to provide funding for loans disbursed statewide. FIHOP was created as a Mississippi not-for-profit corporation. Financial institutions operating in Mississippi and the Mississippi Home Corporation (MHC) established FIHOP to assist in the construction, development, or rehabilitation of residential housing, in Mississippi, for persons of low- to moderate-income. Also, the bank's Chief Banking Officer serves on the Board of Directors and Loan Committee for this organization. This officer provides ongoing financial expertise to the organization through these roles. As of February 26, 2010 FIHOP had originated nine loans totaling \$11.3 million.

#### *Hurricane Katrina*

Community development efforts related to Hurricane Katrina are not assigned to individual assessment area(s), since the impacted area includes the bank's assessment area(s) and a much broader area. Bank efforts include a variety of community development services. These efforts show initiative and are very responsive to the immediate needs that existed subsequent to the hurricane. The following summarizes some of the major initiatives:

- The First was one of the first institutions to open branches in southern Mississippi and serve coastal residents that were forced away from their homes. Branches in Laurel and Picayune were opened despite the loss of electrical power.
- The bank accessed the Federal Reserve's contingency cash services to bring in larger-than-normal supplies of cash to meet the needs of people evacuating the coastal areas.
- The bank cashed checks up to \$100 based on the faith of a valid ID for free. The bank also cashed FEMA and Red Cross checks totaling almost a half million dollars. The bank remained opened in the days following the storm including the Labor Day holiday to meet customer and non-customer financial needs resulting from the storm.
- The bank waived almost \$10,000 in insufficient funds charges related to cashing checks after the storm.

#### *FDIC Money Start Program*

The bank participates in this financial literacy program targeted toward school age children from low- and moderate income families. The American Bankers Association sponsors this program that is held bi-annually. Bank officers participate in the “Teach a Child to Save Day” in April and “Get Smart about Credit Day” in October.

### *Community Development Financial Institution*

The First has been designated as a Community Development Financial Institution (CDFI). A certified CDFI is a financial institution that targets more than 60% of their banking activities to communities considered “underserved” and has a primary mission of promoting community development.

### *Bank Delivery Systems and Products*

The delivery systems of the bank are reasonably accessible to geographies and individuals of different income levels throughout the assessment areas. The First offers a full-range of deposit services and loan products which do not vary in a way that inconveniences the assessment area, particularly low- and moderate-income geographies and low- and moderate-income individuals. Office hours and services in the full-scope AAs are comparable among locations regardless of the income level of the geographies. There are no significant differences in banking hours provided by the branches in the various geographies. Additionally, the Pascagoula AA branch is located in a moderate-income census tract.

### **Hattiesburg MSA**

The bank’s community development performance in the Hattiesburg assessment area demonstrates adequate responsiveness to the community development needs of its assessment area(s) through community development loans, qualified investments, and community development services, as appropriate considering the bank’s capacity and the need and availability of such opportunities for community development in the bank’s assessment area(s). This conclusion also factors in the bank-wide community development activities previously discussed.

### **Community Development Loans**

The First community development loan performance demonstrates adequate responsiveness to the community development needs of the Hattiesburg AA. The bank originated a community development loan to the Hattiesburg Public School District (HPSD) in the amount of \$1.25 million. This loan provided flexible financing to this public school system to fund payroll without disrupting existing reserves. The HPSD predominantly serves low- and moderate-income families with over a majority of the children on the free and reduced lunch program.

### **Community Development Investments**

The First community development investment performance demonstrates adequate responsiveness to the community development needs of the Hattiesburg AA. The First has made three community development investments for \$22,000 that have directly impacted the Hattiesburg AA. The bank has also leveraged investments by applying for matching grants through the Federal Home Loan Bank. Examples of investments are as follows:

- Recover, Rebuild, Restore, Southeast Mississippi (R3SM), Inc.'s mission is to coordinate long term recovery services designed to alleviate suffering and stress for the individuals and families of Forrest, Lamar, and Perry Counties in Mississippi who have unmet needs due to the occurrence of catastrophic events. R3SM was originally established as a division of the United Way to assist with the rehabilitation efforts in the gulf coast region of Mississippi after Hurricane Katrina. R3SM has since become its own entity, and has worked diligently with local, state, federal, and nonprofit organizations to restore approximately 350 homes and construct 12 new homes for needy families in 28 counties across the state.

The First provided a grant to R3SM which was matched three-fold by the Federal Home Loan Bank (FHLB) of Dallas. The funds helped with working capital so the organization could continue its sustainability and help restore the Mississippi gulf coast to a safe and vibrant region. The bank completed and filed the necessary paperwork for R3SM to be eligible for the matching FHLB grant funds.

- Habitat for Humanity – The bank made a donation to this non-profit organization that builds affordable housing targeted to low to moderate-income families.
- Area Development Partnership – The First made a donation to this economic development organization that is involved with the recruitment of companies that create jobs that help stabilize low- and moderate-income areas. This organization is also affiliated with the Southeast Mississippi Community Investment Corporation, a community development corporation that operates a small dollar loan program targeted to low-and moderate-income individuals and families.

## **Community Development Services**

The First has excellent responsiveness to community development service needs in the Hattiesburg AA. Bank officers are routinely involved and offer financial expertise to non-profit organizations that provide needed services to low- and moderate income individuals and families. Bank officers are also involved with helping these organizations obtain needed funding for operations through the FHLB matching grant program. The following are examples of community development services provided by The First.

- Area Development Partnership – Bank officers are involved with this economic

development organization through service on the executive committee, Board, chamber division, and the ambassador program. A bank officer also serves as chairman of the community development division.

- Edward Street Fellowship – This non-profit organization provides food to the needy. A bank officer provides financial expertise by serving as the organization's treasurer. This food pantry provides emergency food to about 700 low- and moderate-income families per month.
- Federal Home Loan Bank Grant Program – The bank participates in the Federal Home Loan Bank program by completing the application for funds on the behalf of R3SM. The bank was successful in obtaining a three-fold matching grant for this non-profit organization that is focused on the rehabilitation efforts in the gulf coast region of Mississippi after Hurricane Katrina.
- Housing Alternatives for Hattiesburg – This is a Community Housing Development Organization dedicated to helping low- and moderate-income individuals and families in the Pine Belt region become homeowners. The organization participates in the city community block grant funding process. A bank officer is on the Board of Directors of this organization. Also, the bank regularly participates in the financial literacy program that is a requirement for low- and moderate-income individuals and families receiving down payment assistance through the city's community development block grant fund program.
- Junior Achievement – This nonprofit organization is dedicated to educating students about workforce readiness, entrepreneurship and financial literacy through hands-on programs. Bank officers regularly participate in a Junior Achievement sponsored financial literacy program at a middle school that is primarily attended by children from low- and moderate-income families.

### ***Gulfport/Biloxi Assessment Area***

The bank's community development performance in the Gulfport/Biloxi assessment area demonstrates adequate responsiveness to the community development needs of its assessment area(s) through community development loans, qualified investments, and community development services, as appropriate considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment area(s). This conclusion also factors in the bank-wide community development activities previously discussed.

### **Community Development Loans**

The First has provided an adequate level of community development loans in the Gulfport-Biloxi AA. A total of seven loans totaling \$547 thousand were originated during the evaluation period, a majority of which were for the purpose of rebuilding properties after Hurricane Katrina in a federally designated disaster area. Many of the properties were then rented through HUD's Small Renters Assistance Program which purpose is to

provide affordable rental housing in areas most affected by Hurricane Katrina.

### **Community Development Investments**

The bank has poor responsiveness to community development investment needs in the Gulfport/Biloxi AA. The bank has made one donation of \$4 thousand. Since July 2010, the bank has provided the equivalent of \$1 thousand per month rent concession to the American Red Cross Disaster Service Center which uses bank property at no cost to the organization.

### **Community Development Services**

The First has adequate responsiveness to community development service needs in the Gulfport/Biloxi AA. Bank officers are involved and offer financial expertise to non-profit organizations that provide needed services to assist individuals and families adversely affected by disasters, assist small businesses with financing alternatives, and provide services to low- and moderate income individuals and families.

### ***Pascagoula Assessment Area***

The bank's community development performance in the Pascagoula assessment area demonstrates excellent responsiveness to the community development needs of its assessment area(s) through community development loans, qualified investments, and community development services, as appropriate considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment area(s). This conclusion also factors in the bank-wide community development activities previously discussed.

### **Community Development Loans**

The First has demonstrated excellent responsiveness to community development loan needs in the Pascagoula AA. A total of 32 loans amounting to \$5.7 million were originated during the evaluation period, a majority of which were for the purpose of rebuilding properties after Hurricane Katrina in a federally designated disaster area. Many of the properties were then rented through HUD's Small Renters Assistance Program which purpose is to provide affordable rental housing in areas most affected by Hurricane Katrina.

### **Community Development Investments**

The First has demonstrated adequate responsiveness to community development investment needs in the Pascagoula AA. The bank funded four donations totaling \$10,000 the local economic development foundation. As noted and described below, the bank also secured a \$500,000 grant through the Federal Home Loan Bank of Dallas for the Savannah Pines project.

## **Community Development Services**

The First has demonstrated excellent responsiveness to community development service needs in the Pascagoula assessment area that has made a significant impact on meeting the credit needs of the community. The bank secured a \$500,000 affordable housing program grant from the Federal Home Loan Bank of Dallas for the Savannah Trails project. Funding for the development was pooled from multiple sources including the Mississippi Development Authority (MDA), The First, and the Federal Home Bank of Dallas (FHLB Dallas). The First and FHLB Dallas awarded a \$500,000 Affordable Housing Program grant to assist 91 first-time homebuyers with down payment and closing costs on a Savannah Pines home. Savannah Pines is the first long-term workforce housing community in Ocean Springs, and strives to assist in the recovery and rebuilding efforts of the Mississippi Gulf Coast since the devastation caused by Hurricane Katrina.

The First also has bank officers that serve on the Board and as treasurer for nonprofit organizations that provide services to low- and moderate-income families and individuals.