



PUBLIC DISCLOSURE

August 3, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Eastern Arkansas
Charter Number - 13637**

**101 North Washington
Forrest City, Arkansas 72335**

**Office of the Comptroller of the Currency
80 Monroe Avenue, Suite 505
Memphis, Tennessee 38103**

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 Eastern Arkansas** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of August 03, 1998. 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.**
- ▶ **The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the assessment area credit needs.**

DESCRIPTION OF INSTITUTION:

First National Bank of Eastern Arkansas (FNBEA) is a \$192 million institution located in Eastern Arkansas approximately 45 miles from West Memphis and 85 miles east of Little Rock. The bank's primary business focus is residential real estate loans, consumer loans, and agriculture loans. The loan portfolio composition as of June 30, 1998 is as follows:

Loan Type	\$ Volume (000)	% of Portfolio
1-4 Family Residential	45,642	54%
Consumer	17,364	21%
Farmland & Agriculture	14,815	18%
Other	3,324	4%
Commercial	2,795	3%
TOTAL	\$83,940	100%

FNBEA operates the main bank and two branches within Forrest City, Arkansas. Additional branches are located in the towns of Wheatley, Colt, Palestine, Wynne, Hughes, and Marianna. In addition to offering a full range of banking services, there are seven automated teller machines (ATM's) located throughout the bank's assessment area (two in Forrest City, two in Marianna, one in Palestine, one in Wynne, and one in Hughes). There are no financial constraints that prohibit the bank from meeting assessment area credit needs.

FNBEA is a financial institution with offices located in St. Francis, Lee, and Cross counties. In St. Francis County, the bank's competition consists of three locally-owned banks and a branch of a regional bank headquartered in Memphis, Tennessee. In Cross County, the bank's competition consists of four locally-owned banks. In Lee County, the bank's competition consists of one locally-owned bank. See the table below for a breakdown of deposit market share as of June 30, 1997 within the three counties.

PERCENTAGE OF DEPOSIT MARKET SHARE			
COUNTY	FNBEA	NATIONAL BANKS	STATE BANKS
ST. FRANCIS	56.2	43.8	0.0
CROSS	3.5	31.8	64.7
LEE	38.5	61.5	0.0
3 COUNTY AVERAGE	32.7	45.7	21.6

DESCRIPTION OF ASSESSMENT AREA:

FNBEA's assessment area consists of the counties of St. Francis, Cross, and Lee. The 1990 U.S. Census median family income for non-metropolitan statistical areas in Arkansas, including the assessment area, is \$22,420. This number is used to determine the income level of the block numbering areas (BNA's) in the assessment area. FNBEA's assessment area contains one upper-, six middle-, and nine moderate- income BNA's. None of the BNA's are considered low-income.

According to the 1990 U.S. Census demographic data, St. Francis County reported a population of 28,497, Cross County a population of 19,225, and Lee County a population of 13,053. The Department of Housing and Urban Development (HUD) 1997 updated median family income is \$30,100. This income figure is updated annually and is used to determine the income level of individual applicants. There are 16,200 families in the assessment area of which: 5,008 (30.9%) are low-income, 2,883 (17.8%) are moderate-income, 3,038 (18.8%) are middle-income, and 5,271 (32.5%) are upper-income.

Local economic conditions are stable with low unemployment of 5% within the bank's assessment area. Public assistance or social security is provided to 52% of the households within the assessment area. The bank's assessment area is primarily agriculture related.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Lending in the Assessment Area

A substantial majority of loans are originated within the assessment area. A sample of 89 home mortgage and consumer loans was selected to determine the level of lending within the assessment area. These loans were originated in 1997 and 1998. From this sample of 89 loans, 84 loans or 94% were originated within the assessment area. The bank does not track loan originations within each BNA. Management tracks the dollar volume within and outside the total assessment area. In the first six months of 1998, the bank originated 2,172 loans totaling \$37.8 million. Of this total, 2,090 loans or 96% totaling \$33.0 million or 87% were within the bank's assessment area.

Lending to Borrowers of Different Incomes

The distribution of lending to borrowers reflects good penetration of lending to individuals of different income levels (including low- and moderate-income). We used a sample of 89 consumer and home mortgage loans to determine the income distribution of borrowers. Of this sample, 11 loans had income levels that were unverifiable. The following table reflects the results of the sample and show that the number of loans to borrowers of different income levels generally mirrors the demographics of the assessment area.

<i>Distribution of Loans in Assessment Area by Borrower Income</i>								
Income Levels	Low		Moderate		Middle		Upper	
	%		%		%		%	
Family Characteristics	5,008	31%	2,883	18%	3,038	19%	5,271	32%
Number of Loans	25	32%	7	9%	18	23%	28	36%

FNBEA also has a good record of making loans to small businesses, small farms, and to businesses of different sizes. **A small business or small farm is defined as an entity with annual gross revenues of less than \$1 million.** A sample of 13 business and 10 farm loans was used to determine if FNBEA is making loans to businesses and farms of different sizes. The sample showed that 19 of the 23 loans, or 83%, were to businesses and farms with gross revenues of less than \$1 million.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the bank’s size, financial condition, and assessment area credit needs. FNBEA’s loan-to-deposit ratio has averaged 50% since the October 26, 1995 evaluation. Over the 12-quarter period from September 1995 to June 1998, the loan-to-deposit ratio has been as low as 45% and as high as 55%. The bank’s loan-to-deposit ratio has fluctuated annually due to the bank’s seasonal agriculture production loans.

Geographic Distribution

An analysis of the geographic distribution of loans originated by the bank was not performed at this examination. FNBEA’s assessment area is composed of nine moderate-, six middle-, and one upper-income BNA. FNBEA does not collect the necessary information to perform this type of analysis.

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

A fair lending review was conducted in conjunction with the bank's CRA evaluation. The sample criteria included loans to purchase residential real estate. No evidence of discrimination or disparate treatment was noted during this review. FNBEA is in technical compliance with fair lending laws and regulations.