



Small Bank Performance Evaluation

PUBLIC DISCLOSURE

August 20, 1999

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**First National Bank of Hartford
Charter Number 7592**

**101 Third Avenue
Hartford, Alabama 36344**

Office of the Comptroller of the Currency

**100 Concourse Parkway, Suite 240
Birmingham, Alabama 35244-1870**

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 Hartford prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of August 20, 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”.

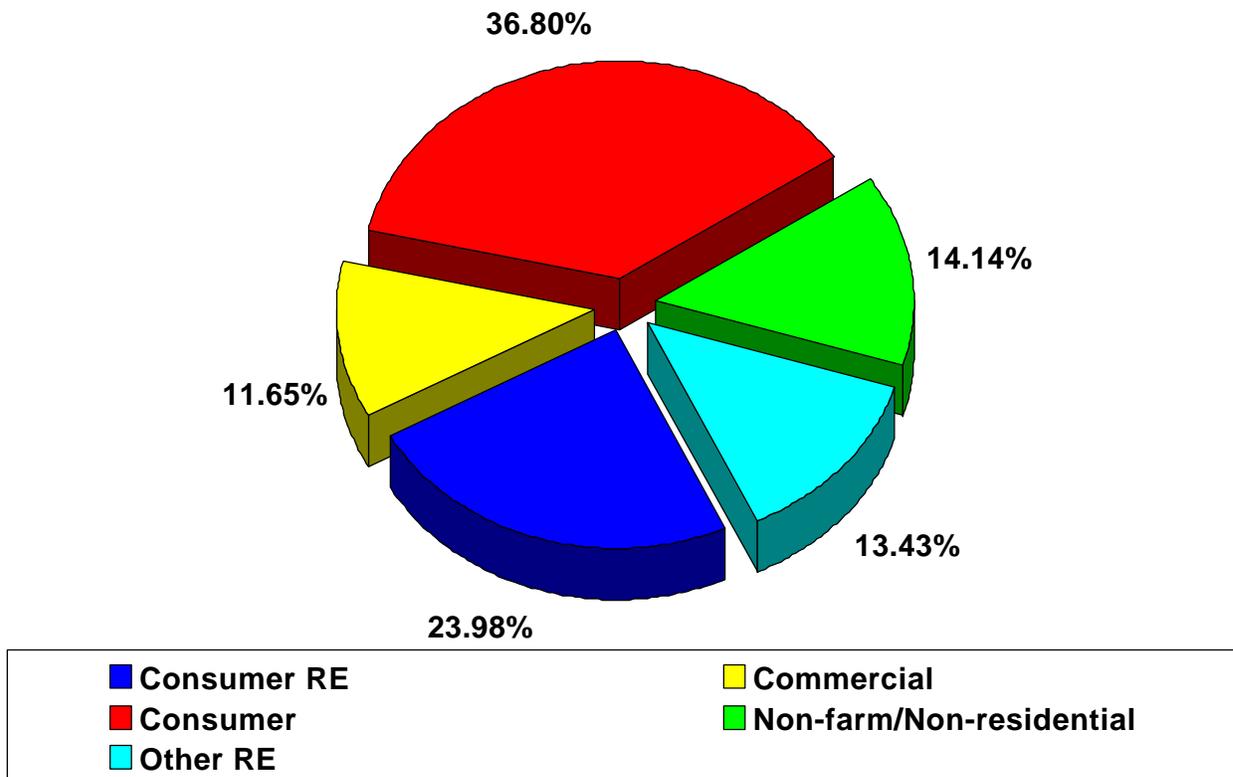
The rating is based on the following:

- ! A majority of the loans were made in the bank’s assessment area.
- ! Bank maintains a satisfactory ratio of loans to deposit. As of 3/31/99, the bank’s loan to deposit ratio of 49.85% was in line with competing financial institutions headquartered in Geneva county.
- ! Lending patterns indicate reasonable distribution of loans among borrowers of different income levels (low/moderate and small businesses/farms).

DESCRIPTION OF INSTITUTION

First National Bank of Hartford (FNBH) is a \$70 million community bank located in Hartford, Alabama. FNBH is wholly owned by First Hartford Bancshares, a one bank holding company. The bank does not have branches. There is one ATM at FNBH's main office location. FNBH is a full-service oriented bank offering such products as real estate, consumer, and commercial loans and various deposit accounts. The loan mix based on 3/31/99 Call Report is as follows:

Loan Portfolio Mix



Sources of data which were relied upon for this CRA evaluation are: FNBH's general loan trial balance, 1990 Census Data, and the CRA Disclosure Report.

FNBH is in sound financial condition with no legal impediments which would prevent it from meeting the credit needs of the community. The bank's previous CRA rating was "Satisfactory" (3/31/96).

DESCRIPTION OF ASSESSMENT AREA

FNBH considers all of Geneva county as their assessment area (AA). This assessment area consists of six block numbering areas (BNA) numbered from 0501 thru 0506. The assessment area is primarily rural with 6,927 families residing within the AA. FNBH's AA meets all legal requirements set forth by the CRA regulation and does not arbitrarily exclude any low or moderate income areas.

In Hartford, AL., where the main office is located, the bank faces competition from five other community banks and one credit union which are all headquartered in Geneva County.

Geneva County

The estimated population for Geneva county is approximately 23,647 composed of 6,927 families. Public Assistance and Social Security payments are received by 9% and 33% of the total households in FNBH's AA, respectively. The non-MSA median family income for the state is \$32,600. Geneva county's unemployment rate of 8.7% is significantly higher than the state's rate of 4.5% (6/99). The weighted average median housing cost for the AA is \$35,413.

Low income is less than 50% of the median family income (less than \$16,300), moderate income is between 50% and less than 80% (\$16,300 to less than \$26,080), middle income is 80% to less than 120% (\$26,080 to less than \$39,120), and high income is considered anything over 120% (greater than \$36,120). All BNAs in the AA are in middle income tracts.

Local industry is centered primarily in agriculture. Major employers in the AA include: CMI Industries (cotton mill - 500), Reliable Metal Products (250), Russell Corporation (150), and Wiregrass Hospital (250). The county seat is located in the town of Geneva.

! Information received from the community contact identified employment opportunities as a community need. Community contact was quite complimentary of FNBH.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The evaluation of the bank's loan penetration is based upon a sample review of loans made during 1999 in commercial (business and farm), consumer RE (1-4 family), and consumer installment.

For "Lending to Borrowers of Different Incomes and Businesses of Different Sizes" and "Geographic Distribution" our sample consisted of 20 agriculture loans totaling \$1,226,181 from a potential universe of 200 totaling \$3,093,472, 20 consumer real estate (RE) loans totaling \$708,155 from a universe of 300 consumer RE totaling \$5,176,079 and 20 consumer installment loans totaling \$62,988 from a universe of 1,619 consumer installment loans totaling \$6,773,143.

For "Comparison of Credit Extended Inside and Outside of the Bank's Assessment Area" criteria, consumer RE, consumer installment, and commercial/farm loans on FNBH's trial balance was utilized.

Loan-to-Deposit Ratio (LTD)

- ! FNBH's loan to deposit ratio (LTD) is rated "satisfactory" based on a comparison of similarly situated financial institutions headquartered in Geneva county.

The bank's ten quarterly LTD ratios between 12/31/96 thru 12/31/98 averaged 54.62%. During this time frame, the bank had a low of 49.85% (3/99) and a high of 59.52% (6/97). As of 3/31/99, FNBH's ratio of 49.85% ranks nationally at the 19th percentile. Nationally this ratio appears low, however, when compared with other locally headquartered financial institutions in Geneva county, FNBH's ratio was more in line. Loan to deposit ratios of the local competitors ranged from 43% to 56%.

Comparison of Credit Extended Inside and Outside of the Bank's Assessment Area

- ! A majority of the loans are made to borrowers within the bank's assessment area.

Table 1 below depicts 1-4 family RE loans. Percentages of 1-4 family RE loans in and out of the assessment area were further substantiated through a review of consumer and commercial/farm made during this timeframe. (Table 2 & 3).

Consumer RE Loans - Table 1				
Location	# of Loans	% of Loans (by #)	\$ Volume of Loans	% of Loans (by \$)
<i>Inside AA</i>	300	<i>75.00%</i>	\$5,176,079	71.02%
<i>Outside AA</i>	100	<i>25.00%</i>	\$2,112,584	28.98%
Total	400	100%	\$7,288,663	100%

Consumer Installment Loans - Table 2				
Location	# of Loans	% of Loans (by #)	\$ Volume of Loans	% of Loans (by \$)
<i>Inside AA</i>	1,619	<i>71.35%</i>	\$6,773,143	66.03%
<i>Outside AA</i>	650	<i>28.65%</i>	\$3,483,874	33.97%
Total	2,269	100%	\$10,257,017	100%

Commercial/Farm Loans - Table 3				
Location	# of Loans	% of Loans (by #)	\$ Volume of Loans	% of Loans (by \$)
<i>Inside AA</i>	286	74.48%	\$5,046,618	64.07%
<i>Outside AA</i>	98	25.52%	\$2,829,631	35.93%
Total	384	100%	\$7,876,249	100%

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

Overall, lending to small business/farms and to borrowers of different income levels is satisfactory. This was concluded through a comparison of the “ % of small businesses by gross income” in the AA to the actual performance of the loans made to small businesses/farms in the AA. For consumer related loans a comparison with the “ % of Families by Income” to the actual performance of the loans made to each income category (% of Total (by #)) . In our analysis for this performance criteria we placed an emphasis on consumer loans as this represents the largest portion of FNBH’s loan portfolio.

Consumer RE Loan Distribution - Table 4					
Origination	% of Families by Income	# of Loans in A A	% of Total (by #)	\$ of Loans in AA (000's)	% of Total (by \$)
Low-Income	23.11%	4	20.00%	\$48,023	6.78%
Moderate-Income	15.69%	8	40.00%	\$211,865	29.92%
Middle-Income	21.19%	2	10.00%	\$114,707	16.20%
Upper-Income	40.00%	6	30.00%	\$333,560	47.10%
Total	100%	20	100%	\$708,155	100%

- ! Consumer RE loan distribution is satisfactory. Sixty percent of our loan sample were made to low and moderate income borrowers.

Consumer Loan Distribution - Table 5					
Origination	% of Families by Income	# of Loans in the A A	% of Total (by #)	\$ of Loans in AA	% of Total (by \$)
Low-Income	23.11%	7	35%	\$22,222	35.29%
Moderate-Income	15.69%	7	35%	\$13,236	21.02%
Middle-Income	21.19%	4	20%	\$11,865	18.84%
Upper-Income	40.00%	2	10%	\$15,645	24.85%
Total	100%	20	100%	\$62,968	100%

- ! Consumer loan distribution is satisfactory. Our sample review indicates good loan penetration to low and moderate income families.

Business/Farm Loan Distribution by Loan Size - Table 6				
Loan Size	# Loans	% Loans (#)	\$ Loans	% Loans (\$)
greater than \$100,000	8	20%	\$6,107,652	37.05%
\$75,000 - \$100,000	3	7.50%	\$1,426,322	8.65%
\$50,000 - \$74,999	2	5%	\$1,594,899	9.68%
\$25,000 - \$49,999	7	17.50%	\$2,873,021	17.43%
less than \$25,000	20	50.00%	\$4,481,279	27.19%
Total Loans	40	100%	\$16,483,173	100%

- ! Business and farm loans account for 27% of FNBH's total loan portfolio. Small businesses are those whose annual gross income is \$1 million or less. Small farms are farms which generate annual gross revenues of \$500,000 or less. Of the 40 loan sample of business/farm loans (20 of each), 83% were to small businesses and small farms. This satisfactorily reflects the business/farm demographics of your AA, which indicates that ninety-three percent of all businesses are classified "small". By total dollar amount this represents 54.48%.
- ! Eighty-eight percent of loans made to small businesses/farms were in the amount of \$50,000 or less.

Geographic Distribution of Loans

! Based on 1990 census data, there are no BNAs within the AA designated as either low or moderate income.

Since there were no low or moderate areas, a meaningful geographic analysis could not be performed. Although all the BNAs are considered middle income areas, management identified two areas within the town of Hartford that they consider to be low income. Based on their analyses, 17% of the loans made in Geneva county were made to the low income areas.

Response to Complaints

! No complaints were received from the public since the prior examination.

Results of Fair Lending Review

Scope/Objective:

The objective of this review was to determine whether the bank has adequate policies, procedures, and internal controls in place to monitor activities with respect to anti-discriminatory laws and regulations. To accomplish this objective, we reviewed a sample of 10 approved home refinance loans made during 1998 and year to date thru 7/31/99. Additionally, we reviewed policies, procedures, and internal controls and held discussions with senior management.

Conclusion:

We found no evidence of prohibited discriminatory practices. Additionally, the bank is in substantial compliance with anti-discriminatory laws and regulations. Adequate policies and procedures are in place to govern day to day operations. Underwriting guidelines set out in the loan policy are reasonable and do not appear to discriminate on a disparate basis. No significant issues were found during this review.