



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

Public Disclosure

March 23, 1998

Community Reinvestment Act Performance Evaluation

**First National Bank of Wynne
Charter No. 10807**

**528 East Merriman
Wynne, Arkansas 72396**

**Office of the Comptroller of the Currency
80 Monroe Street, 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 CRA performance of **First National Bank of Wynne (FNB)** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of March 23, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

Institution's CRA Rating: This institution is rated **"Meets Standards for Satisfactory Performance."**

We concluded that the bank's performance is "satisfactory." Factors leading to this conclusion were: FNB's average loan-to-deposit ratio of 71% is considered reasonable, a substantial majority of FNB's loans originated in 1996 and 1997 were within the bank's assessment areas. Lending patterns show a good representation of loans made to individuals with various income levels and businesses and farms of different sizes. The bank is also lending throughout its assessment area.

Description of Institution

First National Bank of Wynne (FNB) is a \$151 million financial institution headquartered in Wynne, Arkansas. FNB is wholly owned by First National Corporation, a one bank holding company. Agriculture and commercial loans are major business lines for the bank. As of December 31, 1998, loans to finance agricultural production and other farm loans totaled \$29 million and represented 27% of total loans. Commercial loans totaled \$19 million or 18%. Loans secured by residential properties totaled \$16 million or 15% of total loans. Throughout 1996 and 1997, the bank also originated a number of small business loans.

FNB operates two offices in Wynne, Arkansas, and single offices in Cherry Valley and Forrest City, Arkansas. The bank closed its office in Hickory Ridge, AR in 1995 and relocated its Forrest City office in 1997. There are no supervisory concerns (impediments) that would affect FNB's ability to meet various credit needs based on their financial condition and size.

A number of financial institutions of various sizes operate throughout the assessment area. In Wynne, competition comes from Cross County Bank along with First Arkansas Bank (acquired by First Commercial in 1997). In Forrest City, competition comes from the First National Bank of Eastern Arkansas, Forrest City Bank, N.A., and a branch of Union Planters National Bank. First State Bank is headquartered and operates in Parkin, AR also in Cross County.

Description of Assessment Area

The bank's assessment area includes Cross and Saint Francis counties. Both counties are nonmetropolitan areas and are contiguous. The assessment areas are in compliance with regulatory guidelines. Combined, there is a total of twelve Block Numbering Areas (BNAs) for the two counties within the assessment area. None of the tracts have low income characteristics, six (12%) tracts have moderate income characteristics, twenty-nine (56%) have middle income, and one (21%) has upper income. Low income is considered to be less than 50% of median family income. Moderate income is considered to be between 50% and 79% of median family income, middle income is 80% to 119% while upper income is 120% and above. The population for the assessment area is 47,722 and the assessment area is comprised of 16,754 households based on the 1990 census. The weighted average median family income for nonmetropolitan areas in Arkansas is \$29,500.

Conclusions with Respect to Performance Criteria

Loan-to-deposit ratio

FNB's average loan-to-deposit ratio of 71.39 is reasonable. The ratio was averaged over eleven quarters which covers June 1995 to December 1997 the time elapsed since the bank's CRA performance was last reviewed. As of December 31, 1997, the bank's loan-to-deposit ratio was 79.08%. The average loan-to-deposit ratio for other institutions varied from 50% to 105%. However, these institutions vary in size and, in some instances, the averages may be for different time period may be different due to mergers, etc.

Lending in the Assessment area

A substantial majority of the loans originated by FNB are within the bank's assessment area. The bank's CRA officer prepares annual lending pattern analyses. Through November 1997, the bank extended 4,159 loans with 3,543 (85%) of the loans being in the bank's assessment area. Total dollar volumes of loans were \$84,529 million with \$63,478 million (75%) being in the assessment area. The bank's findings were supported by our review. The majority of the loans in our sample were within the bank's assessment.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

FNB's loan dispersion for 1996 and 1997 reflects reasonable lending levels to borrowers of different incomes and businesses of different sizes. Demographic data utilized during the examination shows that low-income families make up 28.79% of the population, 16.44% is moderate-income, 19.53% is middle-income, and 35.24% is upper-income. We sampled 40 real estate and consumer loans. Of these, we obtained income information for 28 loans that were divided into the four income categories. This analysis shows that the bank's lending percentages to low and middle income families are somewhat lower than the population percentages of families making up those income levels. However, lending to moderate and upper income borrowers are slightly higher.

Different Loan Types			
Income Level	# of Loans	Percentage	Demographic Percentage
Low Income	0	0%	29%
Moderate Income	7	25%	16%
Middle Income	4	14%	20%
Upper Income	17	61%	35%
Total	28	100%	100%

Loans to small businesses, those with annual revenue less than \$1 million, are also reasonable. Business revenue is not captured separately by the bank's data gathering process. However, 77% of the loans in the asset quality sample had annual revenue less than \$1 million.

Geographic Distribution of Loans

The geographic distribution of loans originated by FNB shows reasonable penetration throughout all areas of the community. We obtained an internal report that identified consumer loans, real estate loans, and small business and farm loans originated in 1996 and 1997 within each BNA. As discussed under "*Description of the Assessment Area*," 42% of the BNAs have moderate income characteristics, 50% is middle, and 8% is upper. The bank's overall lending patterns do not mirror these percentages. Nonetheless, an analysis of this report shows that loans have been extended throughout each BNA and no conspicuous gaps were observed.

Response to Complaints

The bank's public file did not contain any complaints regarding the bank's performance under the CRA.