



PUBLIC DISCLOSURE

November 30, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank
Charter Number 15851**

**600 Main Street
P. O. Box 848
Rosedale, Mississippi 38769**

**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, Rosedale, Mississippi, prepared by Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of November 30, 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 “**Outstanding.**”

The major factors which support this rating include:

- ▶ The average loan-to-deposit ratio of approximately 72% over the last twelve quarters is good and well above that of similarly situated institutions lending in the bank's assessment area.
- ▶ A majority of consumer loans are made within the assessment area.
- ▶ The distribution of borrowing reflects excellent penetration among the income groups in the assessment area, including a large percentage to low income borrowers. The distribution also reflects good penetration to small businesses and farms.

DESCRIPTION OF INSTITUTION

The First National Bank (FNB) is a \$39 million financial institution located in Rosedale, Mississippi. The bank is 98% owned by a one bank holding company, Rosedale First National Corporation. FNB operates only one office, its main office in downtown Rosedale. The bank is primarily an agricultural and consumer lender, with agricultural loans making up a substantial majority (74%) of the loan portfolio, followed by consumer loans (12%) and residential loans (7%). The bank is considered to be in sound financial condition with no significant impediments to prevent it from meeting the credit needs of its community.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

FNB's defined assessment area consists of Block Numbering Area (BNA) 9502. BNA 9502 includes four communities: the city of Rosedale, and the towns of Pace, Beulah, and Gunnison. All are located in Bolivar County.

BNA 9502 is defined as a moderate income tract. Its population at the 1990 census was 4,688. Rosedale is the largest community in the assessment area with a population of 2,508. The populations of Gunnison, Beulah, and Pace are 607, 465, and 362, respectively. The racial mix of the BNA is: 76% black, 23% white, and 1% others.

The area can best be described as impoverished and the economy declining. Public assistance is a major source of income with more than 37% of the households receiving transfer payments. Since the 1990 census was taken, many residents have moved to the largest community in Bolivar County, Cleveland, in search of employment. The largest employers in BNA 9502 are the public school system (270 employees) and Rosedale Fabricators (85 employees).

The 1990 median family income of \$13,387 is only 61% of the median nonmetropolitan family income of \$21,995. The housing stock is old with approximately 76% built prior to 1980. More than 60% of the housing units are valued at less than \$30,000, with a median housing value for the BNA of only \$25,700.

There are at least six banks operating within Bolivar County with three, including FNB, operating within BNA 9502.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio of 79% at September 30, 1998 is more than reasonable and reflects a strong willingness to lend to the community in spite of the financial plight of most of the residents within the assessment area. The bank's loan-to-deposit ratio has averaged 72.4% in the twelve quarters since the last examination. FNB's loan to deposit ratio compares very favorably against all of the other banks operating within Bolivar County, with the exception of one. Their ratios have ranged from an average of 50.1% to 84.2%. FNB's ratio for the last four quarters is 74% and ranks it second among the six banks.

FIRST NATIONAL BANK LOAN TO DEPOSIT RATIOS BY QUARTER			
QUARTER ENDED	1998	1997	1996
MARCH 31	66%	56%	61%
JUNE 30	80%	82%	77%
SEPTEMBER 30	79%	84%	80%
DECEMBER 31	N/A	69%	60%
AVERAGE RATIO	75%	73%	70%

Lending in the Assessment Area

As of September 30, 1998, the bank's portfolio consisted of 907 loans, totaling \$27 million. Of these loans, 430 or 47%, are within the bank's assessment area. In terms of dollars, approximately \$6.9 million or 25% have been made within the assessment area.

FIRST NATIONAL BANK COMPARISON OF CREDIT INSIDE THE ASSESSMENT AREA LOAN PORTFOLIO AS OF SEPTEMBER 30, 1998				
ASSESSMENT AREA	NUMBER OF LOANS	PERCENT	DOLLAR AMOUNT	PERCENT
INSTALMENT LOANS	268	64%	\$ 1,316M	56%
AGRICULTURE LOANS	162	33%	\$ 5,549M	33%
TOTAL	430	47%	\$ 6,864M	25%

The bank actually makes the overwhelming majority of its agricultural loans in Bolivar County. However, because a number of the borrowers now reside in other areas of Bolivar County outside the assessment area, the loans have not been included by the bank in its inside the assessment area numbers.

Geographic Distribution of Loans

The bank's performance in this area was not assessed. Since the entire assessment area is located in a moderate income area, geographic distribution analysis of the bank's loans would not be meaningful.

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

The distribution of borrowers reflects excellent penetration among individuals of different income levels and businesses of different sizes.

The bank internally monitors loan distribution by income on a quarterly basis for low income borrowers. The quarterly reports reflect that, through September 30, 1998, the bank approved 168 loans for a total dollar outstanding of \$630,177. This represents 83% of the number of all new/refinanced loan approvals during the period January 1, 1998 and September 30, 1998 and 47.2% of the total dollar amount approved. This data was tested using the 59 sample loans reviewed during the fair lending review.

FIRST NATIONAL BANK LENDING TO LOW TO MODERATE INCOME BORROWERS January 1, 1998 THROUGH September 30, 1998		
TYPE LOAN	NUMBER	\$ AMOUNT
ALL NEW INSTALMENT LOANS	202	\$1,335,327
NEW LOANS TO LOW TO MODERATE BORROWERS	168 (83%)	\$ 630,177 (47%)

The overwhelming majority (96%) of all agriculture loans made by the bank have been made to borrowers with less than \$500,000 in total annual farm revenues. Similarly, 96% of all commercial loans have been made to borrowers with annual business income of less that \$250,000.

FIRST NATIONAL BANK LENDING TO FARMS AND BUSINESSES OF DIFFERENT SIZES LOAN PORTFOLIO AS OF SEPTEMBER 30, 1998					
Business/ Farm Revenues	Agriculture Loans		Commercial Loans		Total
	Number	\$ Amount	Number	\$ Amount	
Less than \$100,000	172 (61%)	\$3,633M (17%)	62 (90%)	\$ 854M (55%)	234 \$4,487M

FIRST NATIONAL BANK LENDING TO FARMS AND BUSINESSES OF DIFFERENT SIZES LOAN PORTFOLIO AS OF SEPTEMBER 30, 1998					
Business/ Farm Revenues	Agriculture Loans		Commercial Loans		Total
	Number	\$ Amount	Number	\$ Amount	
\$100,000- \$250,000	55 (20%)	\$6,005M (29%)	4 (6%)	\$ 310M (20%)	59 \$6,315M
\$250,000- \$500,000	41 (15%)	\$6,662M (32%)	0	\$ 0	41 \$6,662M
\$250,000- \$1,000,000			3 (4%)	\$ 402M (25%)	3 \$ 402M
Total Small Business / Farm Loans	268 (96%)	\$16,300M (78%)	69 (100%)	\$1,566M (100%)	337 \$17,866M
Total Business / Farm Loans	280	\$21,058M	69	\$1,566M	349 \$22,624M

Response to Complaints

The bank's public file did not contain any complaints regarding the bank's performance in helping to meet community credit needs under CRA.

Compliance with Fair Lending Legislation

A fair lending review was conducted in conjunction with the CRA performance evaluation. No evidence of discriminatory or disparate treatment was noted.