



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**February 3, 2003**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The First National Bank Of Lewisville  
Charter Number 9354**

**202 Spruce Street  
Lewisville, AR 71845**

**Comptroller of the Currency  
F. Christian Dunn, Assistant Deputy Comptroller  
10201 West Markham, Suite 105 Ozark National Life Bld.  
Little Rock, AR 72205**

**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.**

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## INSTITUTION'S CRA RATING

**This institution is rated Satisfactory.**

- ◆ The average loan-to-deposit ratio at 71% is reasonable given the bank's size, financial condition, and assessment area credit needs.
- ◆ A majority of loans are in the bank's assessment area.
- ◆ The distribution of loans reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- ◆ The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

## DESCRIPTION OF INSTITUTION

First National Bank of Lewisville (FNBL) is located in Lewisville (Lafayette County), Arkansas. The bank has one banking office. The bank has drive-in facilities but no automated teller machines (ATMs). As of September 30, 2002, the bank reported total assets of \$28 million with \$24 million in deposits and \$21 million in loans (75% of total assets).

The bank's primary business focus is agriculture (poultry), and real estate. FNBL offers residential real estate, home improvement, consumer, agriculture, commercial and business loans. The loan portfolio composition as of September 30, 2002, is as follows:

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Residential Real Estate Loans	\$9,511	46%
Consumer Loans	\$4,528	22%
Commercial Loans	\$3,477	17%
Agriculture Loans	\$3,245	15%
<b>Total</b>	<b>\$20,761</b>	<b>100%</b>

FNBL offers convenient banking hours and a variety of loan and deposit products to meet the needs of the assessment area. There are no financial impediments that would limit the bank's ability to help meet the credit needs in its assessment area.

The bank is 100% owned by First National Bancshares of Hempstead County (FNBHC), a multi-bank holding company headquartered in Hope, Arkansas. As of December 31, 2001, FNBHC had total assets of \$168 million. The bank's last CRA examination was performed as of April 8, 1998 and was rated **Satisfactory**.

## **DESCRIPTION OF LAFAYETE AND MILLER COUNTIES**

FNBL's assessment area (AA) is all of Lafayette County and Red River Township in adjacent Miller County. Lafayette County has three Block Numbering Areas (BNA): 9701, 9702, and 9703; Red River Township is in Census Tract (CT) 209. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies. The Median Family Income (MFI) for Lafayette County was \$22,320 in 1990. Miller County is one of two counties that comprise the Texarkana AR/TX Metropolitan Statistical Areas (MSA). The MFI for Miller County was \$28,088 in 1990. These income figures are used to determine the income level of individual BNA's/CT's. All BNA's/CT's in the assessment area are middle-income, except BNA 9703, which is moderate-income. The 2002 Housing and Urban Development (HUD) estimated MFI for non-MSA in Arkansas is \$35,825. The 2002 HUD estimated MFI for Miller County is \$40,700. HUD estimated MFI is updated annually and is used to determine the income level of individual applicants.

Lewisville is located in the southwestern part of the state and has a population of 1,285 people according to the 2000 census, a decrease from 1,424 at the 1990 census. Lafayette County has a population of 8,559 people according to the 2000 census, a decrease from 9,643 at the 1990 census. CT 209 has a population of 6,117 based on 1990 census data. The economy of Lafayette County is considered to be stagnant, and the economy of Miller County is considered to be in a slow growth mode. In 1988, Lafayette County was designated by the governor of Arkansas to be one of eleven impoverished counties in the state. This condition was based on the level of employment, median rental values, and per capita income. There has been little improvement in the area.

There are limited employment opportunities in Lafayette County with the largest employer being the Allen White Company, located in Stamps, AR, that manufactures various types of wood furniture. The number of employees is between 150 – 200 people, down from 350 – 400 two years ago. Many workers commute to Texarkana, about 35 miles west of Lewisville. Unemployment as of November 2002 was 3.8% for Lafayette County, and 3.6% in Miller County. The unemployment rates for Lafayette and Miller Counties are below the Arkansas average of 4.9% and the U.S. average of 6.0% as of November 2002.

The following table shows the demographic and economic characteristics of the assessment area.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>	
<i>Population</i>	
Number of Families	4,246
Number of Households	5,639
<i>Geographies</i>	
Number of Census Tracts/BNA	4
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	25%
% Middle-Income Census Tracts/BNA	75%
% Upper-Income Census Tracts/BNA	0%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	\$22,320
2002 HUD-Adjusted MFI	\$35,825
<i>Economic Indicators</i>	
Unemployment Rate	3.8%
1968 Median Housing Value	\$31,860
% of Households Below Poverty Level	27.31%

A community contact with the President of the Lewisville Chamber of Commerce was conducted in conjunction with this CRA examination. This contact revealed that local banks are meeting the primary credit needs in the area. This contact also stated that there is a need to redevelop the downtown business area. However, the majority of the funds for the project will be from governmental block grants.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

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

FNBL's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's primary competitors are Bodcaw Bank, a state bank which is headquartered in Stamps, Arkansas (5 miles east of Lewisville and with a population of 2,131 people), and Community State Bank (formerly Bradley State Bank) which is headquartered in Bradley, Arkansas (18 miles south of Lewisville and with a population of 563 people). The following table shows total assets as of September 30, 2002 and the average loan-to-deposit ratio from December 31, 1998 through September 30, 2002 (16 quarters) for these three banks.

<b>Institution</b>	<b>Assets (as of 9/30/2002)</b>	<b>Average LTD Ratio</b>
Bobcaw Bank, Stamps, AR	\$69 million	33%
Community State Bank, Bradley, AR	\$15 million	60%
First National Bank, Lewisville, AR	\$28 million	71%

### **Lending in Assessment Area**

A majority of FNBL loans are in the bank's assessment area. A sample of 30 consumer loans, 30 residential real estate loans, and 30 agriculture and commercial loans made during 2002 was reviewed to determine lending within the assessment area. Lending within the assessment area is detailed in the following table.

<b>TOTAL LOANS REVIEWED</b>								
	<b>IN ASSESSMENT AREA</b>				<b>OUT OF ASSESSMENT AREA</b>			
<b>LOAN TYPE</b>	<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>
Consumer	17	57%	\$82	41%	13	43%	\$120	59%
Residential	25	83%	\$1,198	86%	5	17%	\$194	14%
Agri & Com'l	23	77%	\$705	87%	7	23%	\$108	13%
Total Reviewed	65	72%	\$1,985	83%	25	28%	\$422	17%

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

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low-and moderate-income) and businesses of different sizes. The same samples for lending within the assessment area were used to determine lending to borrowers of different incomes. The following tables show the distribution of residential real estate and consumer loans within the various income levels.

RESIDENTIAL REAL ESTATE								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families <sup>1</sup>	28%		17%		20%		35%	
LOANS BY YEAR	% of Number	% of Amount						
2002	4%	4%	8%	4%	32%	21%	56%	71%

CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households <sup>2</sup>	31%		16%		16%		36%	
LOANS BY YEAR	% of Number	% of Amount						
2002	35%	14%	35%	60%	6%	4%	24%	21%

The above tables show that most of the residential real estate loans were made to upper-income borrowers with loans to low-income and moderate-income borrowers below the percentage of low-income and moderate-income people in the assessment area. However, consumer loans made to low-income and moderate-income borrowers were above the percentage of low-income and moderate-income people in the assessment area.

A sample of 30 business and farm loans made in the past 12 months was reviewed. Seven loans were outside the assessment area and 23 loans were inside the assessment area. Of the 23 loans in the assessment area, 22 had revenues of less than \$1 million. The following table shows lending to small businesses and small farms.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses <sup>3</sup>	95%	5%
% of Bank Loans in AA #	96%	4%
% of Bank Loans in AA \$	89%	11%

## Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. BNA 9703 is the only moderate-income tract in the assessment area and has approximately 17% of the population. The city of Bradley (located 18 miles south of Lewisville and with a population of 563 people) is in this BNA. Community State Bank, with total assets of \$15 million, is headquartered in Bradley. Based on the sample, about 6% by number and 8% by dollar volume of the loans originated in 2002 were made in the moderate-income tract. By loan type, 8% by number and 6% by dollar volume of residential home loans; 6% by number and 6% by dollar volume of consumer loans, and 9% by number and 11% by dollar volume of agriculture and commercial loans were made in BNA 9703.

### **Responses to Complaints**

First National Bank of Lewisville has not received a formal CRA complaint since the previous examination.

### **Fair Lending Review**

An analysis of public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1998.