



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

January 11, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Helena National Bank
Charter Number - # 14429**

**302 Cherry Street
Helena, Arkansas 72342**

**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 **Helena National Bank (HNB)** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of January 11, 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 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 which are representative of the demographics of the assessment area.**

- < **The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.**

DESCRIPTION OF INSTITUTION:

Helena National Bank (HNB) is a \$106 million institution located in Helena, Arkansas approximately 60 miles south of Memphis, Tennessee. The bank's primary business focus consists of smaller consumer loans of \$500 or more (secured and unsecured). Additional lending emphasis is placed on residential real estate and agricultural lending since the bank is located in the Mississippi Delta Region. The bank's loan portfolio composition as of September 30, 1998 is as follows:

Loan Type	\$ Volume (000)	% of Portfolio
1-4 Family Residential	14,922	31%
Farmland & Agriculture	13,415	27%
Individual	12,959	26%
Commercial	8,009	16%
Other	128	0%
TOTAL	\$49,433	100%

HNB operates within Phillips County, Arkansas with the main bank located in downtown Helena, and two branches located in adjacent West Helena, Arkansas. There is also a branch located in Marvell, Arkansas. In addition to offering a full range of banking services, there is one automated teller machine (ATM) located outside the main bank. Additional ATM's are located at a West Helena branch and the Marvell branch. Two additional ATM's are located at a local grocery store in Helena and at a convenience store in West Helena. There are no financial constraints that prohibit the bank from meeting assessment area credit needs.

HNB's competition consists of First National Bank of Phillips County and Merchants & Farmers Bank (a state bank recently acquired by Union Planters Bank N.A. headquartered in Memphis, Tennessee). See the following table for a breakdown of deposit market share as of June 30, 1998 within the county.

<i>DEPOSIT MARKET SHARE AND LOAN-TO-DEPOSIT RATIO WITHIN PHILLIPS COUNTY</i>			
	HELENA NATIONAL BANK %	FNB PHILLIPS COUNTY %	MERCHANTS AND FARMERS %
LOAN-TO-DEPOSIT RATIO (13 QTRS)	42.7	71.4	72.0
DEPOSIT MARKET SHARE (06/98)	33.9	33.5	30.8

DESCRIPTION OF ASSESSMENT AREA:

HNB’s assessment area consists of Phillips County, Arkansas. 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. HNB’s assessment area is comprised of (4) moderate- and (2) middle-income BNA’s. None of the BNA’s are considered low-income.

According to the 1990 U.S. Census demographic data, Phillips County reported a population of 28,838. The Department of Housing and Urban Development (HUD) 1998 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 7,423 families in the assessment area of which: 2,673 (36%) are low-income, 1,379 (19%) are moderate-income, 1,263 (17%) are middle-income, and 2,108 (28%) are upper-income families.

Local economic conditions are depressed with 24% of the households receiving some form of public assistance and 40% of the households showing income below the poverty level. Approximately 15% or 4,410 persons are over the age of 65 in Phillips County. Phillips County has had a long history of high unemployment, but in 1998, unemployment within Phillips County was only 4%. HNB’s assessment area is primarily rural and the economy is based on agriculture. The major employer within the county is Phillips Community College of the University of Arkansas (approximately 1500 enrolled students and employs approximately 175 people).

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Lending in the Assessment Area

HNB originates a substantial majority of loans within their assessment area. A sample of 47 consumer loans and 10 home mortgage loans were selected to determine the level of lending within the assessment area. These loans were originated in 1997 and 1998. Of these 57 loans, 52 or 91% were originated within the assessment area.

Lending to Borrowers of Different Incomes

HNB has a good record of lending to individuals of different income levels (including low- and moderate-income). We used a sample of 57 consumer and home mortgage loans to determine the income distribution of borrowers. The following table shows that the number of consumer loans to borrowers of different income levels mirrors the demographics of the assessment area. Although the home mortgage loans are skewed to upper income borrowers, this is understandable given the low median family income for the State of Arkansas. Upper income for this area is above \$36,120. As a result, a majority of home loans are made to upper income individuals since affordable housing within Phillips County is limited.

<i>Distribution of Loans in Assessment Area by Borrower Income</i>								
Income Levels	Low		Moderate		Middle		Upper	
		%		%		%		%
Family Characteristics	2,673	36%	1,379	19%	1,263	17%	2,108	28%
Number of Consumer Loans	14	30%	15	32%	8	17%	10	21%
Number of Home Mortgage Loans	0	0%	0	0%	0	0%	10	100%

HNB also has a good record of making loans to small businesses and 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 10 business and 10 farm loans was used to determine if HNB is making loans to businesses and farms of different sizes. The sample showed that 14 of the 20 business and farm loans or 70%, were to businesses and farms with gross revenues of less than \$1 million. Of the 20 loans reviewed, 16 loans or 80% were within the bank’s assessment area.

Loan-to-Deposit Ratio

HNB's loan-to-deposit ratio is less than reasonable given the bank's size, financial condition, and assessment area credit needs. HNB's loan-to-deposit ratio has averaged 43% since the November 6, 1995 evaluation. Over the 13-quarter period from September 1995 to September 1998, the loan-to-deposit ratio has been as low as 37% and as high as 50%. The bank's loan-to-deposit ratio has fluctuated due to the bank's seasonal agriculture loans. Banks of similar asset size within Phillips County have average loan-to-deposit ratios of 71% and 72% for the same time period (see table on page 3). Management attributes the low loan-to-deposit ratio to the March 1991 acquisition of a branch in Marvell which had low loan demand, very few loans, and a large deposit base.

Geographic Distribution

Geographic distribution by Block Numbering Area				
Block Numbering Area (BNA)	Number of families	% of total	Number of loans within BNA	% of total loans in sample
9801 (MIDDLE-INCOME)	1168	16	12	23
9802 (MODERATE- INCOME)	1774	24	18	34
9803 (MIDDLE-INCOME)	1849	25	14	27
9804 (MODERATE-INCOME)	807	11	4	8
9805 (MODERATE-INCOME)	1078	14	3	6
9806 (MODERATE-INCOME)	747	10	1	2
TOTAL	7423	100	52	100

HNB's assessment area is composed of four moderate-and two middle-income BNA's. A sample of 52 loans was reviewed to determine the geographic distribution of lending. As shown in the table above, the

loan sample mirrors the population of each BNA except 9806, which is predominately farmland resulting in less consumer loan demand.

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

During this evaluation, we performed a fair lending review at HNB. The terms approach was used on unsecured personal loans to determine if applicants were being treated equally. We also used gender as the prohibited basis since racial information is not available for consumer loans. A sample of 155 unsecured personal loans was selected from 1998. Our prohibited basis group was comprised of 60 female loan customers, and the control group was comprised of 95 male loan customers. To test for fair lending, we compared rates and terms of the male customers to the female customers.

Our review did not detect any evidence of discriminatory practices in the rates and terms of credit granted. We noted no violations of the substantive provisions of antidiscrimination laws and regulations.