



**Small Bank Performance Evaluation**

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**PUBLIC DISCLOSURE**

February 1, 1999

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**Valley National Bank  
Charter Number 14553**

**1011 N. Lanier Avenue  
Lanett, Al 36863**

**Office of the Comptroller of the Currency**

**Southeast District  
Marquis One Tower, Suite 600  
245 Peachtree Center Avenue, N.E.  
Atlanta, Georgia 30303**

**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 **Valley National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **February 1, 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**”.

This rating is based on the fact that a substantial majority of the bank's loans are in its assessment area, the bank's loan deposit ratio is reasonable, and the bank has a reasonable distribution of loans among borrowers of different income levels (including low and moderate individuals and small businesses).

The following table indicates the performance level of Valley National Bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	Valley National Bank PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans	Geographic analysis would not be meaningful as no low-or moderate -income tracts were not identified.		
Response to Complaints	No complaints were received since the prior examination.		

## DESCRIPTION OF INSTITUTION

Valley National Bank (VNB) is located in Lanett, Alabama on the Alabama- Georgia line, approximately 90 miles from Montgomery, Alabama and 75 miles south of Atlanta, Georgia on Interstate 85. VNB is a subsidiary of Frontier National Corporation, a two bank holding company, headquartered in Sylacauga, Alabama, with total assets of \$222 million. As of September 30, 1998 VNB had assets of \$78 million. In addition to the main office in Lanett, the bank operates a branch in Valley, Alabama and a branch at the WalMart Super Center in Lanett. There is one ATM at the main office and another at the WalMart office. The bank is a member of the Cirrus ATM network, which offers the convenience of 24 hour nationwide banking. The bank offers traditional banking products such as real estate, consumer, and commercial loans and various deposit accounts. It also offers a telephone banking service.

The bank's loan portfolio on September 30, 1998 totaled \$49 million, which represents approximately 65 percent of the bank's assets. The loan-to-deposit ratio of 81% is higher than local and national peer banks. A breakdown of loans by type, determined from the bank's Report of Income and Condition as of September 30, 1998 is presented in the following table.

**Types of Loans Outstanding**  
**September 30, 1998**  
**\$ (000's)**

Type of Loan	Amount	Percent of Loan Portfolio
Residential Real Estate	\$24,894	50.3%
Commercial Real Estate	8,414	17.0%
Commercial & Industrial	9,205	18.6%
Consumer	6,979	14.1%
<b>Total</b>	<b>\$49,492</b>	<b>100%</b>

There are no known legal or financial impediments that limit VNB's ability to help meet the communities' credit needs. This bank can help meet these needs consistent with its size, financial condition and product offerings. Competition continues to be provided from local, regional, and multinational institutions. Primary competitors are The First National Bank of West Point, Charter Federal Savings and Loan, Colonial Bank, Citizens National Bank, and Nations Bank. The last CRA examination was performed March 27, 1996, at which time the bank was rated "Satisfactory Record of Meeting Community Needs".

## DESCRIPTION OF ASSESSMENT AREA

VNB has defined its assessment area (AA) as the municipalities of Lanett and Valley, Alabama and West Point, Georgia. According to 1990 census information, the AA contained 9 block numbering areas(BNA). The AA consists of 6 middle and 3 upper income BNAs. There are no low or moderate income BNAs within the bank's AA, as defined by the CRA regulation. As of 1997, the population of the AA was estimated to be 24,892. The AA meets regulatory guidelines and does not arbitrarily exclude any low-or moderate income areas. The median family income for the AA is \$29,583.

ASSESSMENT AREA DEMOGRAPHICS			
Designation	# BNAs	% of Total BNAs	% of Families in the BNAs
Low	0	0%	0%
Moderate	0	0%	0%
Middle	6	67%	76%
Upper	3	33%	24%
TOTAL	9	100%	100%

The local community is heavily dependent upon the textile industry, with three of the largest employers being West Point Stevens, Wellington Sears and Russell Corporation. These companies represent 63% of the area's industrial employment. Other major employers are ITC, a diversified telecommunication company, Knauf Fiber Glass, and Interface Flooring Systems. The unemployment rate at October 31, 1998 was 4.0%, slightly below the state average of 4.4%.

The majority of the area's housing is owner occupied, one-four family dwellings. One-four family housing units constitute 81% of the housing units in the AA. The median housing value is \$51,887 based on 1990 census data. The percentage of vacant housing is low at 10% and mobile homes constitute 13% of all housing stock.

The most prevalent types of identified credit related needs in the bank's assessment area are small business loans and 1-4 family residential mortgages. These credit related needs were determined through discussions with bank management and community contacts who represented local government and economic development agencies.

Information received from a community contact indicated the need for small business loans and a need

for educating small business owners. The contact did not report any specific community credit needs and was complimentary of most of the financial institutions operating in the local community.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

**Loan-to-Deposit Ratio (LTD)**

< Valley National Bank’s loan to deposit ratio (LTD) is reasonable and meets the standards for satisfactory performance.

VNB’s quarterly average loan to deposit ratio for the period since the last CRA examination, April 29, 1996 is 67.6%. The bank’s loan to deposit ratio at September 30,1998 was 80.7%, reflecting a moderate increase over the past 12 months. These averages compare favorably with the bank’s national peer group, and exceeds that of 9 banks located in the immediate area.

	<b>Valley National Bank</b>	<b>9 Community Banks within 25 miles of VNB</b>	<b>National Peer Group</b>
Loan/Deposit Ratio as of 9/30/98	80.7%	74.6%	73.1%
Loan / Deposit Ratio Average-Last 11 quarters	67.6%	Not Available	67.5%

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

< A substantial majority of the loans are made to borrowers within the bank’s assessment area. As of February 2,1999, \$41,656,366, or 83% of the bank’s outstanding loans were to businesses and individuals within the AA.

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

< The distribution of borrowers reflects reasonable penetration among individuals of different income (including low-and moderate -income)levels and businesses of different sizes.

We reviewed a random sample of 21 consumer real estate loans and 24 consumer loans originated in 1998 by their respective income levels. The chart shown below reflects a reasonable distribution of the loans to all income levels.

<b>Distribution by Income of 45 Consumer and Consumer Real Estate Loans</b>				
<b>Average Median Family Income=\$29,583</b>				
	Low (0-\$14,495)	Moderate (\$14,496-\$23,370)	Middle (\$23,371-\$35,499)	Upper (\$35,500->)
# loans	14	15	6	10
as a %	31.1%	33.3%	13.3%	22.3%

To further support the fact that the bank accommodates the credit needs of lower income individuals, the bank does not have a minimum amount for loans. During 1998, the bank originated 168 loans with balances of \$750, or less. As of February 2, 1999, the bank had 493 loans which originated with an amount of \$1M, or less.

During 1998 the bank originated 68 small business loans. Small business loans are defined as loans in the amount of \$100,000 or less, and to businesses with revenues of less than \$1,000,000. As shown in the chart below, VNB has good loan penetration to small businesses, as 70.8% of all commercial loans made were in the amount of \$100,000 or less.

<b>Business Loans Originated in 1998 by Loan Size</b>				
<b>Business Loan Size</b>	<b># Loans</b>	<b>% Loans (#)</b>	<b>\$ Loans</b>	<b>% Loans (\$)</b>
<b>greater than \$100,000</b>	<b>28</b>	<b>29.2%</b>	<b>\$14,501,498</b>	<b>87.9%</b>
<b>\$25,000 - \$99,999</b>	<b>23</b>	<b>23.9%</b>	<b>\$1,348,659</b>	<b>8.2%</b>
<b>less than \$25,000</b>	<b>45</b>	<b>46.9%</b>	<b>\$640,036</b>	<b>3.9%</b>
<b>Total Loans</b>	<b>96</b>	<b>100%</b>	<b>\$16,490,193</b>	<b>100%</b>

### **Geographic Distribution of Loans**

- < The geographic distribution of loans reflects reasonable dispersion throughout the AA. However, there are no low or moderate income tracts identified within the bank's assessment area. Therefore, a geographic analysis would not be meaningful.

### **Response to Complaints**

- < No complaints were received from the public since the prior examination.

### **Results of Fair Lending Review**

- < Our fair lending review did not identify any violations of the antidiscrimination laws and

regulations. The bank maintains policies and procedures which provide satisfactory guidance on fair lending requirements.