

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 **Slocumb National Bank (SNB)** prepared by **Office of Comptroller of the Currency**, the institution's supervisory agency, as of August 10, 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 "Satisfactory".

The bank's performance under the Community Reinvestment Act meets the spirit and intent of the regulation. To determine the bank's performance, we utilized the June 30, 1998 Report of Condition, information furnished by the Dothan Area County Chamber of Commerce, and other internally generated reports provided by SNB management. We base this rating on the following conclusions:

- ◆ The loan to deposit ratio is reasonable and comparable to that of the peer group average.
- ◆ A substantial majority of lending activity is within the bank's assessment area.
- ◆ The bank demonstrated a strong willingness and desire to lend to borrowers of different income levels, including low and moderate income families, and to businesses of different sizes.
- ◆ The distribution of loans among census tracts in the assessment area is reasonable.

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

Small Institution Assessment Criteria	Slocomb 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		X	
Response to complaints	No complaints have been received since the prior examination		

DESCRIPTION OF INSTITUTION

Slocomb National Bank (SNB) is an independent financial institution with one office serving the eastern part of Geneva County, AL. The county seat is located in Geneva, AL. Hartford, AL is approximately seven miles away and also has a national bank. However, SNB is the only bank in Slocomb. The operation of the bank is categorized as conservative. The bank is primarily a consumer, residential and small business/farm lender.

At 6/30/98, the bank reported total assets of \$39,541,000 and a capital base of \$6,282,000. The bank operates with the main office location. Slocomb offers a variety of lending products and services. The table below provides a breakdown of the various lending categories and composition of the loan portfolio.

SLOCOMB NB LOANS OUTSTANDING AS OF JUNE 30, 1998		
Loan Type	(In 000's)	% of Portfolio
Construction and Land Development	287	1.8%
1-4 Family Residential	6,798	42.5%
Commercial and Industrial	801	5.0%
Consumer Loans to Individuals	2,845	17.8%
Farm and Agriculture Related Loans	2,160	13.5%
Commercial Real Estate	2,587	16.2%
Obligations of State and Political Subdivisions in the USA	439	2.8%
Other Loans	67	0.4%
Gross Loans	15,984	100%

SLOCOMB NB LOAN ORIGINATIONS FROM JANUARY 1998 THRU JULY 15, 1998		
Loan Type	Number	Amount (000's)
Residential	44	2,648
Home Improvement	23	307
Small Business *	30	2,075
Small Farm	40	1,710
Other Commercial and Farm Loans	6	207
Consumer	275	1,593

DESCRIPTION OF ASSESSMENT AREA

The Slocomb/Geneva County assessment area is located 17 miles from Dothan, Alabama. Slocomb NB's assessment area includes Geneva County census tracts 505 and 506, which is Slocomb, Malvern, and surrounding areas; and Houston County census tract 401, which includes Wicksburg and the surrounding area. The total population for the assessment area is 9,161 residents. The three census tracts are all middle income tracts. However, there are pockets within the assessment area that have low income residents. Below is a breakdown of the various income categories.

NUMBER AND PERCENTAGE OF FAMILIES BY INCOME CATEGORIES								
Low Income		Moderate		Middle		Upper		Total
#	488	#	491	#	568	#	1,085	2,631
%	18%	%	19%	%	22%	%	41%	100%

The major employer for the area was Russell Manufacturing, which employed approximately 300 people. However, during this examination, the company announced the closing of the Slocomb facility. This will negatively impact the local economy. Many (estimated at 90%) of the local residents commute to Dothan and other areas to work where there are more employment opportunities. The local economy is dependent upon agriculture and farming. Local business is seasonal. The unemployment rate for Geneva County was 3.2% in May 1998, according to Dothan Area Chamber of Commerce,

The bank's local market has been economically stagnant. However, the bank has experienced some growth in recent years. This growth is centered in the Dothan market. Competition is moderate, with primary competition provided by two banks in Hartford (seven miles to the west). Dothan, Alabama provides some competition with several holding company banks and independent state banks.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Analysis

- o The loan to deposit ratio is reasonable.

The bank's quarterly average loan to deposit ratio since the last CRA examination (dated July 11, 1995) is 38.53%. The ratio has steadily grown and is currently 52.17% at June 30, 1998. This compares favorably to the ratios of other area banks. SNB operates in a market with little growth and low loan demand. The bank's economy is seasonal, tied to the agricultural and farming needs.

Lending in the Assessment Area

- o The bank makes a significant majority of its loans within the assessment area.

From January 1998 through July 1998, the bank made approximately 77% of the (number) volume of loans to residents within the assessment area. The bank also extended 77% of the number of loans to residents within the assessment area in 1997. This shows that the bank consistently makes most of its loans to members of it, local community. A breakdown of the consumer versus commercial reveals the following:

Loans Made Within and Outside SNB Assessment Area in 1998						
Consumer	#	%	Commercial	#	%	Total
Inside	258	75%	Inside	62	82%	320
Outside	84	25%	Outside	14	18%	98
Total	342	100%	Total	76	100%	418

* Consumer loans in this chart also includes real estate related loans.

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

- o SNB makes a substantial portion of its loans to borrowers of different income categories, including low and moderate income borrowers. Additionally, nearly all of the bank's commercial loans are to businesses and farmers with revenues less than one million dollars.

The bank's lending to borrowers of different income categories is strong. The chart below details the bank consumer lending activity for 1998. Low income residents comprise approximately 18% of the families within the bank's assessment area. However, loans to these residents account for 36% of the number of consumer loans made. Additionally, the percentage of moderate income families total 19% of the families within the assessment area, while the bank makes a familiar percentage of its loans to this segment of the community. This reflects the bank's willingness to lend to the lower income segment of the assessment area.

DISTRIBUTION BY FAMILY INCOME IN ASSESSMENT AREA 1998					
Income Category	# Families	% Families	Consumer		
			#	%	\$000s
Low	488	18%	93	36%	124
Moderate	491	19%	50	19%	178
Middle	568	22%	48	19%	394
Upper	1,085	41%	67	26%	981
Total	2,631	100%	258	100%	1,681

The consumer loans also include real estate related lending as well. Internally prepared reports by management showed that 39 residential real estate loans were made from January 1998 to July 1998 within the bank's assessment area. Seven were to low and moderate income families. This represents approximately 18% of total real estate related lending activity for the bank year to date.

The commercial lending activity among businesses of different sizes is good as well. Through July 1998, the bank made a total of 76 commercial/farm type loans. Of this number, 62 or approximately 82% were to businesses located within the bank's assessment area. As stated in the description of the financial institution section of this evaluation, the bank operates in a rural, agricultural community. The analysis of the lending activity below is further indication of the bank meeting the small business and farming needs of residents within the assessment area.

ASSESSMENT AREA SMALL BUSINESS LOANS IN 1998			
Category	#	%	\$000s
Revenues Less than \$1MM	19	31	\$270
Revenues Greater than \$1MM	0	0	0
Small Farm Revenues Less than \$1MM	37	60	\$1,160
Small Farm Revenues More than \$1MM	2	3	\$197
Community Loans	4	6	\$152
Total	62	%100	\$1,780

Geographic Distribution of Loans

- o The distribution of loans among census tracts in the assessment area is reasonable.

The bank's assessment area includes only three middle income census tracts. Since all census tracts have the same income characteristic and the bank has reasonable penetration in each of the census tracts, a meaningful analysis among the census tracts would not be beneficial. Refer to the above analysis of income distribution which provides a more meaningful analysis of SNB's lending activity.

The bank performs a detailed assessment annually of the distribution of loans based on income levels and businesses of different sizes. As a result of the 1998 analysis, management expanded the assessment area to portions of Houston County containing the Wicksburg area.

Review of Complaints

The bank did not have any complaints relating to its CRA performance since the last examination.

Fair Lending Review

We conducted a Fair Lending Examination in conjunction with this CRA review. We found no evidence of any discrimination on a prohibited basis. SNB has policies and procedures governing anti-discrimination laws and regulation. In addition, management has a second review process which evaluates all denied loan applications.