



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

May 03, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Phillips County
Charter Number - # 13520**

**502 Cherry Street
Helena, Arkansas 72342**

**Office of the Comptroller of the Currency
57 Germantown Ct. Suite 309
Memphis, Tennessee 38018**

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 of Phillips County (FNBPC)** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of May 3, 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:

First National Bank of Phillips County (FNBPC) is a \$110 million institution located in Helena, Arkansas approximately 60 miles south of Memphis, Tennessee. The bank's primary lending emphasis is placed on residential real estate, commercial, retail and agricultural lending since the bank is located in the Mississippi Delta Region. The bank's loan portfolio composition as of December 31, 1998 is as follows:

Loan Type	\$ Volume (000)	% of Portfolio
1-4 Family Residential	25,467	40%
Commercial	18,589	30%
Individual	12,030	19%
Agricultural	6865	11%
Other	42	0%
TOTAL	\$62,993	100%

FNBPC operates within Phillips County, Arkansas with the main bank located in downtown Helena, and three branches located in adjacent West Helena, Arkansas (Capital, West Helena Round, and the Financial Service Center located in Wal-Mart). In addition to offering a full range of banking services, there are three full service, 24 hour automated teller machines (ATM's) located in the Kroger Shopping Center, the West Helena office, and the Financial Service Center. The bank also offers an additional cash ATM, with limited daily access between 07:00am and 11:00pm, located at the Hays grocery store. There are no financial constraints that prohibit the bank from meeting assessment area credit needs.

FNBPC's competition consists of Helena National Bank 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	70.1	72.0
DEPOSIT MARKET SHARE (06/98)	33.9	33.5	30.8

DESCRIPTION OF ASSESSMENT AREA:

FNBPC’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. FNBPC’s assessment area comprises (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%. FNBPC’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 1,500 enrolled students and employs approximately 175 people).

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Lending in the Assessment Area

FNBPC originates a substantial majority of loans within their assessment area. A sample of 20 consumer loans and 20 home mortgage loans were selected to determine the level of lending within the assessment area. These loans were originated in 1998 and 1999. Of these 40 loans, 38 or 95% were originated within the assessment area.

Lending to Borrowers of Different Incomes

FNBPC has a good record of lending to individuals of different income levels (including low and moderate-income). We used a sample of 20 consumer and 20 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	6	30%	6	30%	1	5%	7	35%
Number of Home Mortgage Loans	2	10%	3	15%	1	5%	14	70%
Total Loans	8	20%	9	23%	2	5%	21	52%

FNBPC 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 20 farm loans was used to determine if FNBPC is making loans to farms of different sizes. The sample showed that 20 of the 20 farm loans or 100%, were to farms with gross revenues of less than \$1 million. Of the 20 loans reviewed, 18 loans or 90% were within the bank's assessment area.

Loan-to-Deposit Ratio

FNBPC's loan-to-deposit ratio is favorable given the bank's size, financial condition, and assessment area credit needs. FNBPC's loan-to-deposit ratio has averaged 70% since the January 8, 1996 evaluation. Over the 13-quarter period from September 1995 to December 1998, the loan-to-deposit ratio has been as low as 62% and as high as 77%. 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 43% and 72% for the same time period (see table on page 3).

FNBPC sells home mortgage loans in the secondary market. During the time period under review for this CRA exam, the bank originated and sold 136 home mortgage loans totaling \$ 7.5 million. If these loans were added into the bank's loan-to-deposit calculations, the bank would have an overall ratio of 71% for the same time period.

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	10	26
9802 (MODERATE- INCOME)	1774	24	5	13
9803 (MIDDLE-INCOME)	1849	25	13	34
9804 (MODERATE-INCOME)	807	11	4	11
9805 (MODERATE-INCOME)	1078	14	4	11
9806 (MODERATE-INCOME)	747	10	2	5
TOTAL	7423	100	38	100

FNBPC's assessment area is composed of four moderate-and two middle-income BNA's. A sample of 38 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. BNA's 9803 and 9801 are predominately residential within Helena and West Helena, AR resulting in a larger loan sample for these BNA's.

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 FNBPC. The benchmark approach was used on first purchase mortgage loans to determine if applicants were being treated equally. A sample of 20 first purchase mortgage loans originated over the past twelve months since this exam was used. This sample was compared to six minority first purchase mortgage loan denials (the benchmark). None of the approved mortgage loans were similarly situated to the benchmark denials.

Our review did not detect any evidence of discriminatory practices in home mortgage lending. We noted no violations of the substantive provisions of anti-discrimination laws and regulations, or any other illegal credit practices performed by this bank.