



SMALL BANK PERFORMANCE EVALUATION

Public Disclosure

August 9, 1999

**Community Reinvestment Act
Performance Evaluation**

**The First National Bank of Dozier
Charter Number: 9681**

**7825 South Main Street
Dozier, Alabama 36028**

Comptroller of the Currency
Birmingham Field Office
100 Concourse Parkway, Suite 240
Birmingham, Alabama 35244

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 CRA performance as of August 9, 1999, of the **First National Bank of Dozier (FNB)** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency. 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.**"

Following are the primary factors supporting FNB's rating. These conclusions were based on a loan sample of twenty-four 1 to 4 family real estate mortgages and twenty-two small business/small farm loans.

- The bank's loan-to-deposit ratio meets the standard for satisfactory performance given its size, financial condition, local economic conditions, and assessment area credit needs.
- A substantial majority of the bank's loans are made within its assessment area.
- The bank's distribution of credit reflects satisfactory penetration among individuals of different income levels and among business and farms of different revenues.
- We detected no evidence of discrimination or other illegal credit practices during our review.

Description of Institution

First National Bank (FNB) of Dozier, Alabama, is located in southern Crenshaw County, Alabama. Crenshaw County/Dozier is located approximately 65 miles south of Montgomery, Alabama. As of June 30, 1999, the bank reported \$31 million in total assets¹. FNB operates a main office with a drive-in facility. There are no branch offices or Automatic Teller Machines (ATM's). FNB is an independent bank and there is no holding company involvement. FNB offers a sufficient array of banking services.

FNB is the only financial institution directly serving the town of Dozier, Alabama. As of June 30, 1999, FNB is the smaller of two independent banks located in Crenshaw County. The bank's loan portfolio as of June 30, 1999, totaled \$4.7 million, which represents 15% of total assets.

Residential real estate and commercial lending are the primary business lines for FNB. Residential real estate loans totaled \$1.6 million (or 35% of total loans), commercial loans \$1.5 million (32%), installment loans \$948 thousand (20%), agriculture loans \$408 thousand (9%), and all other loans \$203 thousand (4%). Real estate loan rates are generally adjustable with a fifteen year or less maturity. Interest rates on five-year or less real estate loan maturities can be fixed. Commercial loan rates are typically variable and priced off Wall Street Journal Prime rate. FNB does not participate in any loan programs such as Veterans Administration (VA) or Federal Home Administration (FHA). However, the bank is an approved Small Business Administration (SBA) lender, but there are no SBA loans currently in the portfolio.

The bank received a "**Satisfactory**" rating at the last CRA examination dated April 8, 1996. There are no legal or financial impediments to the bank's ability to help meet the credit needs in its assessment area.

Description of Assessment Area

FNB's assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas. FNB's assessment area encompasses the towns of Dozier, Brantley, and Gantt, and part of the surrounding areas in Southern Crenshaw County and Northeast Covington County. This area includes two Block Numbering Areas (BNA) in Crenshaw County, Alabama (#9638 and 9639) and one BNA (#9616) in adjoining Covington County, Alabama. Each of these three BNA's are designated middle income according to U.S. Census data.

Management states their market is very competitive. The Crenshaw County area is directly served by a larger community bank located in nearby Brantley (eight miles northeast of Dozier), which, as of June 30, 1999, reports total assets and loans of \$54 and \$20 million, respectively. Adjoining Covington County is served by a smaller community bank in Red Level (15 miles southwest of Dozier), which, as of June 30, 1999, reports total assets and loans of \$13 and \$5 million, respectively. Just north of Crenshaw County (eighteen miles from Dozier),

a larger, independent bank competes for deposits and loans. Three, large Alabama holding

¹ Consolidated Report of Condition - Call Report

company banks with offices located in Opp and Andalusia, Alabama, approximately twenty miles south of Dozier, present strong competition. While the holding company bank offices are not located within FNB's assessment area, these entities compete for both deposits and loans. Several small credit unions and finance companies outside FNB's assessment area provide additional competition. FNB also competes directly with one smaller independent bank in the northern Covington County area.

The Department of Housing and Urban Development's (HUD) estimated 1999 Median Family Income for non-metropolitan Alabama is \$35,100. Demographic data shows that 953 families reside in Crenshaw County BNA's #9638 and #9639. Of these families, 27% are low income, 20% moderate income, 19% middle income, and 34% upper income. Covington County's demographic data reflects 983 families reside in BNA #9616. Of these, 16% are low income families, 18% moderate income, 23% middle income, and 43% upper income. Low income is defined as less than 50% of the state median family income (less than \$17,550), moderate income is between 50 and 80% (\$17,551 to \$28,080), middle is between 80% and 120% (\$28,081 and \$42,120), and high income is anything over 120% (over \$42,120).

Twenty percent of the families within the Crenshaw County assessment area and thirteen percent in the Covington County area are below the poverty level. Thirty seven percent of the households in Crenshaw and Covington Counties receive social security payments. An additional thirteen-percent receive public assistance payments.

FNB's assessment area is located in rural South Alabama. The local economy is dominated by a faltering agriculture industry. Products include broiler, cattle, dairy, peanut, and forestry production. Additionally, the economy has been adversely impacted following the loss of three of four textile manufacturers since the passage of North American Free Trade Alliance (NAFTA). At May 31, 1999, unemployment rates for Crenshaw and Covington Counties were 10.4% and 6.8%, respectively. For the same period, state and national unemployment rates were 4.7% and 4.2%.

We contacted two community leaders to discuss local credit needs. One contact was a retired social worker and the other a local business owner. Neither contact identified any local credit needs that were not being met. One contact stated, however, a special fifty and over deposit product would be helpful to the community. According to the contacts, bank involvement in the local community is satisfactory.

Conclusions with Respect to Performance Criteria

This performance evaluation is based on loan samples (Sample) which consisted of 24 first lien, 1-4 family residential real estate loans, 30 consumer auto loans, and 22 small business and farm loans originated since January 1, 1997.

Loan-to-Deposit Analysis

- **The loan-to-deposit ratio meets the standard for satisfactory performance given FNB's size, financial condition, local economic conditions, and assessment area credit needs.**

FNB's quarterly average loan-to-deposit ratio² for the fourteen quarter period beginning March 31, 1996 through June 30, 1999 is 21.08%. The loan-to-deposit ratio has been fairly steady and ranged from a high of 24.77% as of September 30, 1996 to a low of 16.21% as of March 31, 1999. The current five-quarter trend also reflects a slight decline.

At June 30, 1999, FNB's loan-to-deposit ratio was 18% compared to 46% and 45% for the other two competing banks in the assessment area. Weak loan demand is attributed to a faltering agriculture industry, declining number of family farms, and downturn in textile manufacturing. Further contributing factors include the relatively high level of poverty, unemployment, and persons on fixed monthly incomes.

Per 1990 U. S. Census information, 15% of the households in the bank's assessment area are retired. Based on recent demographics used by the bank, an additional 27% of the population is 18 years of age or younger. Typically, these groups present fewer borrowing requests. This leaves less than 60% of the population to create the majority of loan demand. FNB, the two assessment area competitor banks, and several branch banks of large, regional holding companies beyond the assessment area all compete for this loan business.

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

- **A substantial majority of loans are made within FNB's assessment area.**

The following table indicates the ratio of loans made within FNB's assessment area based on our Joan sample. The sample revealed a substantial majority of loans are made within the bank's assessment area.

²Quarterly Call Reports

RATIO OF LOANS MADE WITHIN ASSESSMENT AREA				
1-4 Family Real Estate	Number	Percent	Amount	Percent
Inside	24	100%	\$684,417	100%
Outside	0	0%	\$ -0-	0%
Automobile	Number	Percent	Amount	Percent
inside	28	93%	\$193,974	98%
Outside	2	7%	\$4,417	2%
Total Loans	Number	Percent	Amount	Percent
Inside	52	98%	\$878,391	99%
Outside	2	4%	\$4,417	1%

Distribution of Credit Based on Borrower Income Within the Assessment Area

- The distribution of credit reflects satisfactory penetration among individuals of different income levels. We evaluated the record of lending to the principal business lines of the bank, residential real estate and commercial/agricultural lending.

The following table shows that FNB has a satisfactory distribution of residential real estate loans to borrowers of different income levels. The table shows a reasonable distribution across all income levels for real estate borrowers sampled.

DISTRIBUTION OF LOANS BY BORROWER INCOME				
Income Level	Families in Assessment Area		1-4 Family Real Estate	
	Number	Percent	Number of Loans	Percent
Crenshaw County (BNA 9638 & 9639)				
Low	257	27%	4	27%
Moderate	191	20%	2	13%
Middle	181	19%	5	33%
Upper	324	34%	4	27%
Total	953	100%	15	100%

DISTRIBUTION OF LOANS BY BORROWERR INCOME				
Income Level	Families in Assessment Area		1-4 Family Real Estate	
	Number	Percent	Number Of Loans	Percent
Covington County (BNA 9616)				
Low	157	16%	1	12%
Moderate	177	18%	2	22%
Middle	226	23%	4	44%
Upper	423	43%	2	22%
Total	983	100%	9	100%

Small Business and Small Farm Lending

- The table below reflects that most commercial and agricultural loans made are to small businesses and farms.

SMALL BUSINESS LOANS (sample)					
	Revenues <= \$1MM	Revenues > \$1MM	Total Loans	% <\$1MM	% > \$1MM
Small Business	11	3	14	79%	21%
SMALL FARM LOANS (sample)					
Small Farms	Revenues <= \$500M	Revenues > \$500M	Total Loans	% <= \$500M	% > \$500M
	7	1	8	87%	13%

The above table reflects the distribution of a sample of loans made to small businesses and small farms between January 1, 1997 and July 30, 1999. We sampled business and farm loans of different revenue levels. The results of our sample indicate that FNB originated a substantial

majority of its loans to small businesses and farms. 79% of business loans sampled were to small businesses with revenues less than \$1 million. 87% of the farm loans sampled were to small farms with revenues less than \$500 thousand.

Distribution of Credit Within the Assessment Area

- **The three block numbering areas in FNB's assessment area are all designated Middle Income per the U.S. Census data. Therefore, a meaningful analysis of the geographic dispersion of credit could not be made.**

Response to Complaints

- No complaints have been received since the previous examination.

Institution's Record of Complying with the Anti-discrimination Laws

- We performed a comparative file review of automobile loans made between January 1, 1997 and July 30, 1999. Our review focused on determining whether gender was a factor in the bank's underwriting decisions.
- We found no evidence of discrimination or other illegal credit practices. No violations of the substantive provisions of anti-discrimination laws and regulations were identified.