



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

February 28, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of IZARD County
Charter No. 21165**

**Arkansas Highway 56 and Spring Creek Road
Calico Rock, Arkansas 72519**

**Office of the Comptroller of the Currency
Southwestern District
1600 Lincoln Plaza, 500 North Akard
Dallas, TX 75201**

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 IZARD County prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **February 28, 1997**. 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**.

- First National Bank of IZARD County's lending performance reflects reasonable responsiveness to its community credit needs. The bank's average loan-to-deposit ratio is 68%, and is comparable to the banks in its assessment area.
- A majority of the bank's lending is within the assessment area.
- The distribution of borrowers in the assessment area reflects a reasonable penetration among individuals of different income levels, and businesses and farmers of different sizes.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>The First National Bank of Izard County</u> 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 were received since the prior examination.		

DESCRIPTION OF INSTITUTION

First National Bank of IZARD County is headquartered in Calico Rock, Arkansas. Calico Rock has a population of 938 people and is located in the north-central portion of the state, approximately 130 miles north of Little Rock and 35 miles south of the Missouri border. The bank has four widely dispersed branches, three in IZARD County (Horseshoe Bend, Melbourne, and Mount Pleasant) and a branch in Mountain View in adjacent Stone County. All of the branches are full service branches with drive-in facilities. However, neither the main office nor any of the branches currently have automatic teller machines (ATM's). ATM's are expected to be placed at the Calico Rock, Melbourne, and Mountain View locations by midyear 1997. Horseshoe Bend (population of 2,239) is located 31 miles northeast of Calico Rock; Melbourne (population of 1,562) is located 18 miles east of Calico Rock; Mount Pleasant (population of 422) is located 30 miles southeast of Calico Rock; and, Mountain View (population of 2,697) is located 23 miles south of Calico Rock. As of December 31, 1996, the bank reported total assets of \$77 million with \$63 million in deposits and \$44 million in loans (57% of total assets). The bank's lending is centered in real estate loans at almost 70% of the loan portfolio, with 17% in consumer loans, 7% in commercial loans, and 6% in agriculture loans. Approximately half of the real estate loan portfolio is on 1-4 family residential loans. The bank does not originate 1-4 family residential loans that are guaranteed by an agency of the U.S. Government.

The bank is 100% owned by Wyatt Bancshares of Calico Rock, a one-bank holding company. Wyatt Bancshares has total assets of \$77 million as of December 31, 1996. The bank's last CRA examination was performed as of January 31, 1995 and was given a **Satisfactory** rating.

There are no financial impediments that would limit the bank's ability to help meet the credit needs in its assessment area. However, one impediment to the bank's ability to meet various community needs is the Arkansas usury law which restricts interest rates to no more than five percent over the prevailing Federal Reserve discount rate. This inhibits the bank's ability to price loan products commensurate with risks.

ASSESSMENT AREA DESCRIPTION

First National Bank of IZARD County assessment area is all of IZARD County and the area around Mountain View in Stone County. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low or moderate-income geographies. There are five Block Numbering Areas (BNA's) in the assessment area: 9601, 9602, 9603, 9604 in IZARD County and 9502 in Stone County. Based on the Medium Family Income (MFI) for IZARD (\$20,429) and Stone (\$18,825) Counties, all of the BNA's are considered middle-income BNA's. However, using the Census MFI for all Non-Metropolitan Statistical Area for the State of Arkansas of \$22,420, BNA 9604 is considered to be a moderate-income BNA with an MFI of \$17,403.

The family income characteristic of the population within the assessment area is as follows: low-income 23%; moderate-income 21%; middle-income 25%; and, upper-income 31%. Income levels are defined as follows: Low-Income = less than 50% of the MFI; Moderate-Income = 50%-79% of the MFI; Middle-Income = 80% to 119% of the MFI; and, Upper-Income = more than 120% of the MFI.

The economy of the area is considered to be in a slow growth mode. Unemployment as of December 31, 1996 was 7.7% for IZARD County and 5.8% for Stone County. These are above the Arkansas average of 4.9% and the U.S. average of 5.3%. The primary industries are forestry and timber, tourism, and agriculture (poultry and livestock).

Competition in IZARD County is provided by a comparable size state bank (The Bank of North Arkansas with total assets of \$72 million, headquartered in Melbourne, with branches in Calico Rock and Horseshoe Bend), and a branch of a larger national bank in adjacent Sharp County. The primary competition at Mountain View is a slightly larger state bank (Bank of Mountain View with total assets of \$98 million with its only branch located in Mountain View), and a branch of a smaller national bank in adjacent Van Buren County.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

First National Bank of IZARD County's loan-to-deposit ratio is reasonable given the bank's size, financial condition, assessment area credit needs and comparison with local financial institutions. The loan-to-deposit ratio for First National Bank of IZARD County as of December 31, 1996 was 69% and has averaged 68% since March 31, 1995, with the ratios ranging from 67% to 69%. Loan-to-deposit ratios for local competing banks are comparable. The loan-to-deposit ratio for the Bank of Mountain View as of December 31, 1996 was 63% and has averaged 67% since March 31, 1995, with the ratios ranging from 63% to 70%. The loan-to-deposit ratio for the Bank of North Arkansas as of December 31, 1996 was 62% and has averaged 55% since March 31, 1995, with the ratios ranging from 48% to 62%.

Assessment Area Concentration

A majority of First National Bank of IZARD County's loans is in the bank's assessment area. The bank tracks the location of new loans by ZIP codes, with the ZIP codes formatted by the Bank Examiners into BNA's during the examination. For 1996, approximately 79% of the number of new loans were made in the bank's assessment area, and 78% of the dollar volume of new loans were made in the assessment area.

Borrowers' Profile

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low-and moderate-income) and businesses of different sizes. Loan distribution is divided by the bank into two levels: low-and moderate-income; and other income. Approximately 44% of the families in the assessment area are in the low-and moderate income levels (23% low-income and 21% moderate-income). Based on the bank's analysis, approximately 30% of the number of loans, and 12% by dollar volume of loans made in 1996 were low-and moderate-income level loans.

All of the agriculture loans and a substantial portion of the commercial loans made in 1996 were to small farmers or small businesses. A small farm or small business is defined as a farm or business with revenues of less than \$1 million. There were 221 small farm loans for \$1.4 million made in the assessment area in 1996. There were also 150 small business loans made for \$2.1 million made in the assessment area in 1996. Approximately 85% by number and 83% by dollar volume of the small farm loans, and 75% by number and 66% by dollar volume of the small business loans made in 1996 were made in the assessment area.

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. There are five BNA's in the assessment area, four of which are middle-income BNA's and one, BNA 9604, is a moderate-income BNA. An analysis of the 1996 geographic distribution of loans revealed a reasonable amount made in BNA 9604 for all of the various types of loans offered. BNA 9604 has 11% of the population in the assessment area and contained 9% by number and 8% by dollar volume of the loans made in 1996. The volume of loans made in the middle-income BNA's is reasonable with a reasonable penetration in all of the BNA's.

Response to Substantiated Complaints

No valid complaints have been received since the prior examination.

Discrimination or Other Illegal Credit Practices

The Fair Lending procedures performed during this evaluation disclosed no violations of the substantive provisions of the anti-discrimination laws and regulations.

