



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

February 2, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank at Paris
Charter No. 14209

11 East Main Street
Paris, Arkansas 72855

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 **The First National Bank at Paris** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **February 2, 1998**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.*

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**.

The conclusion is based on the following:

- ▶ The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the assessment area credit needs.
- ▶ A substantial majority of loans are made in the assessment area.
- ▶ The distribution of loans to borrowers of different incomes and businesses and farms of different sizes is satisfactory.

The following table indicates the performance level of **The First National Bank at Paris** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>The First National Bank at Paris</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		✓	
Lending in Assessment Area	✓		
Lending to Borrowers of Different Incomes and to businesses of Different sizes		✓	
Geographic Distribution of Loans	Not Meaningful		
Response to Complaints		✓	

DESCRIPTION OF INSTITUTION

First National Bank at Paris (FNB) is headquartered in Paris, Arkansas. Paris, Arkansas is located in west central Arkansas in Logan County and is approximately 116 miles northwest of Little Rock, the state capital. As of September 30, 1997, FNB reported total assets of \$59 million. The bank has one branch located in Caulksville, Arkansas, approximately 8 miles west of Paris. FNB is 90% owned by First Paris Holding Company, a one-bank holding company. FNB has two affiliate banks: The Bank of Harrisburg in Harrisburg, Arkansas and The Cleburne County Bank in Heber Springs, Arkansas.

The bank's primary business focus is commercial and consumer. FNB offers mortgage, home improvement, agricultural, commercial, and consumer loans. The loan portfolio composition as of September 30, 1997 is as follows:

Loan Type	\$ Volume (000)	% of Portfolio
1-4 Family Residential	\$11,923	43%
Commercial Real Estate	4,346	15%
Installment	4,046	14%
Farmland	3,527	13%
Commercial	2,741	10%
Agriculture	1,053	4%
Credit Card	236	1%
TOTAL	\$27,872	100%

FNB's competitors in Logan County include a \$100 million commercial bank and a \$42 million commercial bank with main offices in Booneville and Scranton, respectively. Other competition comes from a branch office of a \$150 million commercial bank headquartered in Clarksville, Arkansas, and a branch office of a \$1 billion savings and loans institution headquartered in Fort Smith, Arkansas. A branch of a commercial bank headquartered in Ozark, Arkansas opened in Paris in August 1997.

FNB offers convenient banking hours and has a variety of deposit products, including a free checking account which has no monthly service charge or minimum balance requirement. The bank has a 24-hour automated teller machine (ATM) and a drive-up facility at the main office in Paris.

Information concerning credit needs in the assessment area were obtained from one community contact conducted in 1998 by this Office. The dominant need identified by the contact was affordable single-family housing and rental housing. There is a need for new homes priced between \$45,000 and \$55,000 in North Logan County. Also, there is not an available supply of rental units in the area for existing residents or people new to the area.

There are no financial constraints that prohibit the bank from meeting assessment area credit needs.

DESCRIPTION OF THE ASSESSMENT AREA

FNB's assessment area consists of block numbering areas (BNA) in northern Logan County and includes BNA's 9501, 9502, 9503, and 9504. There are six BNA's in Logan County, all of which are designated as middle-income. Logan County has two county seats: Paris and Booneville. Paris is located in the northwestern portion of the county, and Booneville is located in the southwestern portion.

The bank's primary trade area includes Franklin and Logan Counties, encompassing a 60 mile radius from Paris. Major industries in the area include poultry, cattle, small farming operations, and light manufacturing. The 1990 U.S. Business demographic data reported 25 farms and 430 businesses in Logan County, of which 23 farms and 306 businesses have gross annual revenues less than \$1 million.

The economy of Logan County is stable. The 1997 unemployment rate for the county is 4.1%. The unemployment rate for the state is 5.4%, and the national unemployment rate is 5.6%.

According to the 1990 U.S. Census demographic data, the four BNA's that comprise the bank's assessment area reported a population of 13,981 people. There are a total of 4,055 families of which 704 (17%) are low-income, 662 (16%) are moderate-income, 1,068 (26%) are middle-income, and 1,622 (40%) are upper-income. The median family income (MFI) for Logan County is \$22,420. This income figure is used to determine the income level of individual BNA's. The 1997 Department of Housing and Urban Development (HUD) estimated MFI for non-metropolitan statistical areas is \$29,500. The HUD estimated MFI is used to determine the income level of individual applicants and is updated annually.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. FNB's loan-to-deposit ratio has been stable since the July 1995 evaluation. The ratio has averaged 48% from September 30, 1995 to September 30, 1997. At September 30, 1997, the loan-to-deposit ratio increased slightly from previous levels to 52.23%. This increase is attributable to the 13% loan growth from September 30, 1995 to September 30, 1997. Consumer loans experienced the most growth at 21% in one year.

Lending in Assessment Area

A substantial majority of loans originated are in the bank's assessment area. Out of 565 loans originated in 1997, 554 or 98% were made in the assessment area. In terms of dollar volume, FNB originated \$10 million in loans in 1997, of which \$9 million or 90% were made in the assessment area.

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

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. A sample of the bank's retail loans are reasonably distributed among borrowers of different income levels as the table below demonstrates.

<i>Distribution of Loans in Assessment Area by Borrower Income</i>								
Income Levels	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
Family Characteristics	704	17%	662	16%	1,068	26%	1,622	40%
Number of Loans	6	18%	8	24%	8	24%	11	33%
	\$	%	\$	%	\$	%	\$	%
Dollar Volume	\$10,555	1%	\$41,145	5%	\$236,931	26%	\$617,274	68%

Based on the sample taken during this examination, FNB has a satisfactory record of making loans to businesses and farms of different sizes. Out of 26 loans sampled, sixteen or 62% were made to small businesses and farms with gross annual revenues less than or equal to \$1 million. The dollar volume of these loans totaled \$1,287,450 of which \$804,128 or 62% were made to small businesses and small farms with gross annual revenues less than or equal to \$1 million.

Geographic Distribution of Loans

All four BNA's in the assessment area are designated as middle-income. A geographic distribution of the bank's lending activities would not be meaningful.

Response to Complaints

The bank has taken appropriate action in response to substantiated complaints about its performance in meeting assessment area credit needs. FNB had one complaint in 1997 regarding its lending activity. Management reviewed the nature of the complaint and provided an appropriate and timely response.

ADDITIONAL INFORMATION

Discrimination or Other Illegal Credit Practices

A Fair Lending review was conducted in conjunction with the bank's CRA performance. No evidence of discrimination or disparate treatment was noted during this review. FNB is in technical compliance with fair lending laws and regulations.