



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

April 30, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First Community Bank, National Association
Charter No. 23270**

**1001 Front Street
Conway, Arkansas 72032**

**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 Community Bank, National Association prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **April 30, 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 Community Bank's lending performance reflects reasonable responsiveness to its community credit needs. The bank's average loan-to-deposit ratio is 69%, but is below the banks in the assessment area.
- A substantial 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 **First Community Bank, National Association** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>First Community Bank, National Association</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 Community Bank, National Association, is located in Conway, Arkansas. Conway is the county seat of Faulkner County, and is located in the central part of the state. Conway is located approximately 30 miles north of Little Rock, Arkansas, the state capital and largest city.

First Community Bank (FCB) is the newest and smallest bank in Conway. FCB opened September 16, 1991, and has grown an average of 50% each year for the past five years from \$13 million at December 31, 1991. As of December 31, 1996, the bank reported total assets of \$92 million with \$81 million in deposits and \$57 million in loans (70% of total assets). Total assets as of March 31, 1997, were \$106 million, a 15% increase in only three months, with \$89 million in deposits and \$62 million in loans (70% of total assets).

FCB has a branch in the northern part of the City of Conway, and in the City of Greenbrier (located 10 miles north of Conway). All of the bank's offices have drive-in facilities and automated teller machines (ATM's). There is also a stand alone ATM located at the Conway Regional Medical Center on College Avenue with the Medical Center located only two blocks from the University of Central Arkansas campus.

FCB's lending is centered in real estate loans at almost 76% of the loan portfolio, with 13% in commercial loans, and 11% in consumer loans. The real estate loan portfolio is divided approximately one-third each for construction and land development, commercial real estate, and 1-4 family residential loans. Short-term residential loans (1-3 years balloon payments) are kept in-house. Long-term, fixed-rate residential loans, both conventional and loans that are guaranteed by an agency of the U.S. Government, are sold in the secondary markets. FCB accepts and processes applications for fixed-rate loans, but these loans are approved, funded, and closed through Charter Mortgage Company of North Little Rock, Arkansas, a non-affiliated mortgage company.

FCB was acquired on January 31, 1997, by First Security Bancorp, a multi-bank holding company headquartered in Searcy, Arkansas. First Security Bancorp has total assets of \$482 million as of December 31, 1996. The bank's last CRA examination was performed by the Federal Reserve Bank of St. Louis, Missouri as of April 17, 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 5% over the prevailing Federal Reserve discount rate. This inhibits the bank's ability to price loan products commensurate with risks.

ASSESSMENT AREA DESCRIPTION

FCB's assessment area is Faulkner County. The assessment area (AA) meets the requirements of the regulation and does not arbitrarily exclude low or moderate-income geographies. There are 11 census tracts in the Faulkner County assessment area: census tracts #301-#311. The northern part of the county is sparsely populated with most of the people residing in the central and southern parts of the county. The City of Conway is located in the southwestern part of the county and is the largest city in the county. Conway has a population of 35,993 people (1996 special census), a 36% increase from the population of 26,481 in 1990. The 1994 estimated population of Faulkner County was 72,000, a 20% increase from 60,006 in 1990. Greenbrier, with a population of 2,829 (1996 special census), is the second largest city in the county and is located 10 miles north of Conway. The 1996 population of Greenbrier represents a 33% increase from 2,130 in 1990.

Faulkner County is included in the Little Rock-North Little Rock Metropolitan Statistical Area (MSA). The Medium Family Income (MFI) for the Little Rock-North Little Rock MSA is \$31,597. Based on the MFI of \$31,597, four census tracts are considered moderate-income (301, 302, 307, and 309), six are middle-income (303, 304, 305, 308, 310, and 311), and one is upper-income (306). The family income characteristics of the population within the 11 census tracts assessment area are as follows: low-income 22%; moderate-income 21%; middle-income 25%; and, upper-income 32%. Income levels are defined as follows: Low-Income equals less than 50% of the MFI; Moderate-Income equals 50%-79% of the MFI; Middle-Income equals 80% to 119% of the MFI; and, Upper-Income equals more than 120% of the MFI.

Conway is home to three colleges. The economic impact of the three colleges on the community is estimated to be well over \$100 million. These colleges are as follows:

- The University of Central Arkansas, a public university, with about 10,000 students and a faculty and staff of about 1,050;
- Hendrix College, a liberal arts' college affiliated with the United Methodist Church with about 1,000 students and a faculty and staff of about 100; and,
- Central Baptist College, a junior college but with four years sessions for religious education and affiliated with the Missionary Baptist Association, with about 300 students and a faculty and staff of about 30.

The economy of the area is considered to be moderately good. Unemployment for Faulkner County as of February 28, 1997, was 7.0% , and is above the Arkansas average of 5.4% (seasonally adjusted) and the U.S. average of 5.3% (seasonally adjusted). The area has a diversified employment base with the major industries being light manufacturing, education, and agriculture (beef cattle). There are over 65 industrial companies and over 6,500 manufacturing jobs in the Conway area.

In the past six years, the City of Conway has experienced a staggering 36% population growth rate. By year-end 1998, the population is projected to be around 40,000 up from 35,993 in 1996

and increasing to 60,000 by 2008. According to the Conway City Planning Department, single family housing permits for the five past years have been around 400-500 annually. Most of the homes being built are mainly large homes with an average of 2,400 square feet and cost of about \$110,000.

Competition in Assessment Area

Direct competition in the assessment area is provided by two considerably larger national banks, Boatmen’s National Bank of Conway, and First National Bank of Conway. Boatmen’s National Bank is affiliated with Boatmen’s Bancorp of St. Louis which has total assets of about \$20 billion. Boatmen’s will soon become NationsBank. First National Bank of Conway is affiliated with First Commercial Corporation of Little Rock which has total assets of about \$6 billion. The three banks in the assessment area, total assets as of December 31, 1996, and number of branches within the assessment area are as follows:

<u>Bank</u>	<u>Total Assets 12-31-96</u>	<u># Branches in AA</u>
First Community Bank - Conway	\$ 92,355,000	2
Boatmen’s National Bank - Conway	\$188,116,000	3
First National Bank - Conway	\$288,355,000	6

Other competition is provided by branches of three Little Rock area banks, and two savings and loan companies. These include the following: Mercantile Bank of Arkansas (two branches); National Bank of Arkansas (one branch); One Bank, National Association (one branch in Conway and one branch in Greenbrier); First Financial Corporation headquartered in El Dorado, Arkansas (one branch); and, Superior Federal Bank headquartered in Fort Smith, Arkansas (one branch).

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

FCB's loan-to-deposit ratio is reasonable given its size, financial condition, assessment area credit needs and comparison with local financial institutions. FCB's ratios are below the other two local banks. The loan-to-deposit (L-T-D) ratios for the three banks in the assessment area as of December 31, 1996, the quarterly average for the past nine quarters, and the L-T-D ratios range since December 31, 1994, are as follows:

<u>Bank</u>	<u>L-T-D 12-31-96</u>	<u>Average</u>	<u>Range</u>
First Community Bank - Conway	71%	69%	62%-82%
Boatmen's National Bank - Conway	81%	80%	74%-84%
First National Bank - Conway	74%	77%	74%-88%

Lending in Assessment Area

A substantial majority of FCB's loans are in its assessment area. Since FCB is located in a Metropolitan Statistical Area, the bank must complete the Home Mortgage Disclosure Act (HMDA) report. HMDA loans include home purchase, home improvement, and refinancing of home purchase. HMDA loans originated by FCB are short-term (1-3 years) balloon loans. HMDA loans processed by FCB but closed through Charter Mortgage Company, North Little Rock, Arkansas are long-term, fixed-rate loans that are sold in the secondary markets. Loans made through Charter Mortgage are not included in FCB's HMDA reportable loans. HMDA loans made in 1995 and 1996, and loans through Charter Mortgage Company in 1996 that were made within the assessment area are as follows:

<u>Loan Type</u>	<u>1996 HMDA</u>	<u>1995 HMDA</u>	<u>1996 Charter Mortgage</u>
All Mortgage Loans	92% (87 of 95)	95% (56 of 59)	97% (90 of 93)
Home Purchase	89% (41 of 46)	93% (39 of 42)	97% (68 of 70)
Home Improvement	93% (27 of 29)	100% (9 of 9)	Not Applicable
Refinancing	95% (19 of 20)	100% (8 of 8)	96% (22 of 23)

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

The distribution of borrowers, given the demographics of the assessment area, reflects reasonable penetration among individuals of different income levels (including low-and moderate-income) and businesses of different sizes. HMDA loans made in 1995 and 1996, and loans through

Charter Mortgage Company in 1996 distributed within the four income levels in the assessment area are as follows:

<u>Income Level</u>	<u>1996 HMDA</u>	<u>1995 HMDA</u>	<u>1996 Charter Mortgage</u>
Low-Income	8 = 9%	4 = 7%	0 = 0%
Moderate-Income	11 = 13%	13 = 23%	9 = 10%
Middle-Income	25 = 29%	9 = 16%	18 = 20%
Upper-Income	<u>43 = 49%</u>	<u>30 = 54%</u>	<u>63 = 70%</u>
Total	87 = 100%	56 = 100%	90 = 100%

HMDA loans to low and moderate-income borrowers represent 22%, 30%, and 10% for 1996 and 1995, and 1996 Charter Mortgage loans, respectively. Conversely, HMDA related loans to middle and upper-income borrowers were 78%, 70%, and 90%, respectively. Low and moderate-income individuals represent 43% of the population in the assessment area. Middle and upper-income individuals represent 57% of the population in the assessment area.

Most of the commercial loans made in 1995, and through May 1996 were to small businesses. A small business is defined as a business with revenues of less than \$1 million. Approximately 87% of the commercial loans made in 1995 were to small businesses. Approximately 90% of the commercial loans in 1996 through May 1996 were to small businesses.

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The assessment area, Faulkner County, has 11 census tracts. Four census tracts are considered moderate-income, six are middle-income, and one is upper-income. There are no low-income census tracts in the assessment area. About 36% of the census tracts are moderate-

income, 55% are middle-income, and 9% are upper income. The geographic distribution of the 1995 and 1996 HMDA loans, and 1996 loans through Charter Mortgage within the assessment area is as follows:

<u>Census Tract Income Level</u>	<u>1996 HMDA</u>	<u>1995 HMDA</u>	<u>1996 Charter Mortgage</u>
Low-Income	Not Applicable	Not Applicable	Not Applicable
Moderate-Income	40 = 46%	17 = 30%	17 = 19%
Middle-Income	46 = 53%	35 = 63%	68 = 76%
Upper-Income	<u>1 = 1%</u>	<u>4 = 7%</u>	<u>5 = 5%</u>
Total Loans	87 = 100%	56 = 100%	90 = 100%

Although the distribution of HMDA loans for 1996 in moderate-income census tracts (46%) is above the level of moderate-income tracts (36%), a substantial majority of these loans are to middle-income and upper-income level borrowers. Only 18% (7 of 40) of the loans in the moderate-income level census tracts were made to low-and-moderate income level borrowers.

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.