



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

April 8, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Lewisville
Charter No. 9354

202 Spruce Street
Lewisville, Arkansas 71845

Office of the Comptroller of the Currency
Southwestern District
1600 Lincoln Plaza, 500 North Akard
Dallas, Texas 75201-3394

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.
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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 of Lewisville** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **April 8, 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 majority of loans are made in the assessment area.
- ▶ 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.
- ▶ 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 Lewisville** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>The First National Bank of Lewisville</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		✓	
Response to Complaints	No complaints received.		

DESCRIPTION OF INSTITUTION

First National Bank of Lewisville (FNB) is based in Lewisville, Arkansas and has one banking office. As of December 3, 1997, FNB reported total assets of \$26 million. FNB is 100% owned by First National Bancshares of Hempstead County (FNBHC), a multi-bank holding company headquartered in Hope, Arkansas. FNBHC reported total assets of \$164 million at December 31, 1997.

The bank's primary business focus is agricultural. FNB offers mortgage, home improvement, agricultural, commercial, and consumer loans. The loan portfolio composition as of December 31, 1997 is as follows:

Loan Type	\$ Volume (000)	% of Portfolio
1-4 Family Residential	\$4,779	35%
Installment	3,470	26%
Farmland	2,389	18%
Commercial	1,335	10%
Commercial Real Estate	989	7%
Agriculture	514	4%
TOTAL	13,476	100%

FNB's competitors in Lafayette County consist of three state-chartered banks ranging in asset size from \$13 million to \$55 million.

FNB offers convenient banking hours and has a variety of loan and deposit products to meet the service needs in the assessment 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 is defined as all of Lafayette County and the Red River Township. Lafayette County has three block numbering areas (BNA): 9701, 9702, and 9703. The Red River Township is located in census tract (CT) 209 in Miller

County. Miller County is one of two counties that comprise the Texarkana AR/TX Metropolitan Statistical Area (MSA). The following table shows the income distribution of BNAs/CTs and families that comprise the bank's assessment area.

Income Distribution of BNAs/CTs and Families															
Low-Income				Moderate-Income				Middle-Income				Upper-Income			
BNA/CT		Families		BNA/CT		Families		BNA/CT		Families		BNA/CT		Families	
0	0%	1,191	28%	1	25%	722	17%	3	75%	843	20%	0	0%	1,490	35%

Source: 1990 U.S. Census

Lewisville, Arkansas is located in southwestern Arkansas in Lafayette County and is approximately 35 miles east of Texarkana, Arkansas. Lewisville is the county seat and has a population of 1,424. The population of Lafayette County is 9,643 based on 1990 U.S. Census data. CT 209 reports a population of 6,117.

The median family income (MFI) for Lafayette 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. The MFI for Miller County is \$28,088. The 1997 HUD estimated MFI is \$35,500.

The bank's primary trade area includes Lafayette County and northeastern Miller County. Major industries in the area include timber, poultry, cattle, small farming operations, and light manufacturing. The 1990 Business Demographic data reports 31 farms and 177 businesses in Lafayette County of which 28 (90%) farms and 122 (69%) businesses have gross annual revenues less than \$1 million. CT 209 in Miller County reports 6 farms and 21 businesses, all of which have gross annual revenues less than \$1 million.

The economy of Lafayette County is stable. The 1997 unemployment rate for the county is 5.8%. The unemployment rate for the state is 5.0%, and the national unemployment rate is 5.0%.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The loan-to-deposit (L/D) ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. FNB's loan-to-deposit ratio has declined since the April 1995 evaluation. The ratio has averaged 63% from June 30, 1995 to December 31, 1997. The highest loan-to-deposit ratio reported for the bank was 69% at September 30, 1995. The December 31, 1997 loan-to-deposit ratio is the lowest at 59%. FNB is the second smallest bank in Lafayette County and has the second highest L/D ratio. Most of FNB's competitors also showed a decline in the loan-to-deposit ratio. Loan demand in south Arkansas is lower than other areas of the state due to the lack of economic growth. The following table shows total assets (as of December 31, 1997) and the average loan-to-deposit ratio from June 30, 1995 to December 31, 1997.

Institution	Location	Total Assets (Millions)	Avg. L/D Ratio
Peoples Bank and Loan Co.	Lewisville, AR	\$31	45%
Bodcaw Bank	Stamps, AR	\$55	25%
The Bank of Bradley	Bradley, AR	\$13	70%

Lending in Assessment Area

A majority of loans originated are in the bank's assessment area. Out of 992 loans originated in 1997, 844 or 85% were made in the assessment area. In terms of dollar volume, FNB originated \$10.8 million in loans of which \$9.1 million or 84% 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 54 loans, consisting of installment and residential real estate, was used to determine the bank's record of lending to borrowers of different income levels. The following table shows the distribution by borrower income levels for the number and dollar volume of loans originated in 1997.

Distribution of Loans in Assessment Area by Borrower Income								
Income Levels	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
Family Characteristics	1,191	28%	722	17%	843	20%	1,490	35%
Number of Loans	13	24%	13	24%	17	31%	11	20%
Dollar Volume	\$31,883	9%	\$18,720	6%	\$127,566	37%	\$167,031	48%

Based on the sample, FNB's record of lending to low- and moderate-income individuals is commensurate with the assessment area demographics. FNB has a satisfactory record of making loans to businesses and farms of different sizes. Out of 13 loans sampled, 11 or 85% were made to small businesses and farms with gross annual revenues less than or equal to \$1 million. The dollar volume of small business and farm loans total \$916,742 of which \$783,044 or 85% were made to small business and small farms with gross annual revenues less than or equal to \$1 million.

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The bank's analysis shows 53 or 7% of the loans originated in 1997 were made in a moderate-income tract, and 758 or 93% of the loans originated in middle-income tracts. BNA 9703 is the only moderate-income tract and the city of Bradley is in this BNA. Bradley, located 20 miles south of Lewisville, is serviced by another financial institution. The bank's analysis of loan originations by cities/towns in its assessment area shows the following distribution:

City/Town	BNA/CT	# of Loans	%
Lewisville	9701	513	52%
Stamps	9701	165	17%
Buckner	9702	38	4%
Bradley	9703	53	5%
Garland	209	42	4%
Others within AA	N/A	33	3%
Outside AA	Unknown	148	15%

Response to Complaints

FNB has not received any complaints regarding its performance in meeting assessment area credit needs.

ADDITIONAL INFORMATION

Discrimination or Other Illegal Credit Practices

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